

Mr. VARDAMAN. Mr. President, I suggest to the Senator that we meet to-morrow night and finish this bill.

Mr. SMOOT. We can not agree to that to-night, Mr. President. That matter can be taken up to-morrow in the morning hour.

Mr. SHAFROTH. I will state that that is one of the reasons why I did not want a reprint, because I do not believe it can be done to-night.

Mr. SMOOT. Oh, yes. I will assure the Senator that it can be done just the same as the printing of any other matter.

WATER-POWER DEVELOPMENT.

Mr. SHAFROTH. I ask that the unfinished business, House bill 408, be laid before the Senate.

There being no objection, the Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 408) to provide for the development of water power and the use of public lands in relation thereto, and for other purposes.

Mr. SHAFROTH. I move that the Senate adjourn.

The motion was agreed to; and (at 10 o'clock and 50 minutes p. m.) the Senate adjourned until to-morrow, Wednesday, January 31, 1917, at 11 o'clock a. m.

CONFIRMATIONS.

Executive nominations confirmed by the Senate January 30, 1917.

POSTMASTERS.

ALABAMA.

Gordon T. Dannelly, Camden.

ARIZONA.

John Evans, Duncan.

CALIFORNIA.

Lucius R. Barrow, San Diego.
William D. Browning, Strathmore.
William E. Hunt, Kelseyville.
C. Claire Smale, Raymond.

COLORADO.

Laura E. Wible, Deertrail.

CONNECTICUT.

William O. Burr, Fairfield.
John S. Champlin, South Coventry.

INDIANA.

George M. Mount, Crothersville.

IOWA.

John T. Carey, Denison.
John P. Fischbach, Granville.
E. F. Gauss, Shenandoah.
Frank L. Wacholz, Forest City.

MARYLAND.

William W. Hopkins, Bel Air.
J. Frank Lednum, Preston.
George E. Peeling, Asbestos.

MASSACHUSETTS.

Anna E. C. Barrett, Siasconset.
Robert H. Lawrence, South Dartmouth.
Walter B. Loring, Holden.
Charles F. Skillings, Hathorne.
Matthew D. E. Tower, Becket.

MISSOURI.

Walter E. Duncan, Newburg.
Oberon C. Meadows, Licking.

MONTANA.

Peter Des Rosier, Browning.
Earl A. Wheeler, Gilman.

NEW HAMPSHIRE.

Frank J. Aldrich, Pike.
Earle A. Brooks, Franconia.

NORTH CAROLINA.

Fuller T. Currie, Pinehurst.

OHIO.

Mary June Dick, Harrison.
Samuel Eichenbaum, Corning.

TENNESSEE.

K. W. Southern, Harrogate.

HOUSE OF REPRESENTATIVES.

TUESDAY, January 30, 1917.

The House met at 11 o'clock a. m.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

We thank Thee, our Father in Heaven, that though men come and go, Thy Spirit lives on in the heart of each succeeding generation, bringing order out of chaos, harmony out of discord, peace out of war, good out of evil. For faith is stronger than doubt, hope than despair, love than hate. Make us, we pray Thee, tractable to the Spirit, that we may be led into the higher and purer realm of thought and action in the common daily duties of life; which in the last analysis is the test of a well-developed character for which we hope and aspire and pray. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Waldorf, its enrolling clerk, announced that the Senate had passed without amendment bill of the following title:

H. R. 20209. An act to amend section 276 of an act entitled "An act to codify, revise, and amend the laws relating to the Judiciary," approved March 3, 1911.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House of Representatives was requested:

S. 7924. An act authorizing the county of Beltrami, Minn., to construct a bridge across the Mississippi River in said county;

S. 6133. An act authorizing the Secretary of War to grant to John D. Sherwood, of Spokane, Wash., the right to overflow certain lands on the Fort George Wright Military Reservation at Spokane, Wash., and to accept the conveyance to the United States of other lands to be designated by the Secretary of War and suitable for a rifle range in exchange for the land so overflowed; and

S. 7910. An act authorizing the city of Bemidji, Minn., to construct a bridge across the Mississippi River at or near that place.

The message also announced that the Vice President had appointed Mr. JONES and Mr. MARTINE of New Jersey members of joint select committee on the part of the Senate, as provided for in the act of February 16, 1889, as amended by the act of March 2, 1895, entitled "An act to authorize and provide for the disposition of useless papers in the executive departments," for the disposition of useless papers in the Department of Labor.

SENATE BILL REFERRED.

Under clause 2 of Rule XXIV, Senate bill of the following title was taken from the Speaker's table and referred to its appropriate committee, as indicated below:

S. 6133. An act authorizing the Secretary of War to grant to John D. Sherwood, of Spokane, Wash., the right to overflow certain lands on the Fort George Wright Military Reservation at Spokane, Wash., and to accept the conveyance to the United States of other lands to be designated by the Secretary of War and suitable for a rifle range in exchange for the land so overflowed; to the Committee on Military Affairs.

REVENUE BILL.

Mr. KITCHIN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 20573) to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes. Pending that motion I would like to see if we can not come to some understanding in respect to general debate upon the bill. If it would be satisfactory to the gentleman from Michigan [Mr. FORDNEY], I suggest that we run along with general debate without fixing any definite time, with the hope that by, say, 2 o'clock to-morrow we can finish the general debate; and if not, we can then let it run along an hour longer, until 3 o'clock.

Mr. FORDNEY. Mr. Speaker, I think we need more time than that for general debate. I suggest that the gentleman let it run along until to-morrow at some late hour—say, 3 or 4 o'clock.

Mr. KITCHIN. That would be satisfactory to me.

Mr. FORDNEY. I have requests for at least six or seven hours upon this side of the House.

Mr. KITCHIN. The bill is a short one—only 12 pages long—and I would like to finish it to-morrow night.

Mr. FORDNEY. Will it be agreeable to run along with general debate until 4 o'clock to-morrow?

Mr. KITCHIN. Let us say 3 o'clock; and then, if we do not finish it, we can extend it for an hour longer.

Mr. MANN. Mr. Speaker, the gentleman says that he would like to finish the bill to-morrow night—I presume he would like to finish it to-night. For the convenience of Members, is it the intention of the gentleman to ask the House to sit late to-morrow night to finish the bill or will we adjourn at 6 or 7 o'clock?

Mr. KITCHIN. I hope that we will not stay later than 7 o'clock. I think we can finish the reading of the bill, and then perhaps take the vote on the next morning.

Mr. MANN. I suggest to the gentleman that he make a request that the time for general debate be equally divided between himself and the gentleman from Michigan.

Mr. KITCHIN. Mr. Speaker, pending my motion to go into Committee of the Whole House on the state of the Union, I ask unanimous consent that the time for general debate be equally divided between myself and the gentleman from Michigan [Mr. FORDNEY].

The SPEAKER. The gentleman from North Carolina asks unanimous consent that the time for general debate be equally divided between himself and the gentleman from Michigan. Is there objection?

There was no objection.

The SPEAKER. The question is on the motion of the gentleman from North Carolina that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 20573.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the revenue bill, with Mr. SHERLEY in the chair.

The Clerk reported the bill by title.

Mr. KITCHIN. Mr. Chairman, I ask unanimous consent to dispense with the first reading of the bill.

The CHAIRMAN. The gentleman from North Carolina asks unanimous consent to dispense with the first reading of the bill. Is there objection?

There was no objection.

Mr. KITCHIN. Mr. Chairman, my purpose is, if not interrupted too much, to consume about 20 minutes in explanation of the bill and then reserve some time for myself in which to close the debate.

I have often thought what a great genius a man would be if he could find some way to write a revenue bill entirely satisfactory to the people who would have to pay the tax under it. I have thought of every conceivable way for the last eight or ten years in which such a bill could be written, but I am just as far off from the discovery now as I was when I began. Of course every tax bill, it matters not how large, how small the tax, will meet with severe and violent opposition from the man who will have to pay the tax under it.

We all realize the necessity for an additional revenue measure. That necessity has been created by the votes of the Republicans as well as the Democrats. I said, when I presented the bill at the last session, that if it had not been for the increase in the appropriations for the Army and the Navy and fortifications not a dollar of new taxes would have to be levied. I say now in respect to this bill that if there had not been any increase except the normal increase in appropriations for the Army, Navy, and fortifications last session and this session this bill would not be necessary. Every dollar of new taxes levied in the act of the last session and in this bill is made necessary by the votes of Democrats and Republicans alike for the marvelous increase of appropriations in the Army, the Navy, and the fortification acts, which the advocates of those increases euphoniously call "preparedness." The responsibility can not be put by either side upon the other. Democrats and Republicans alike are responsible for the necessity for additional revenue legislation. Whether the additional legislation which the Republicans propose or which the Democrats present to the House is the wiser or better I shall discuss later.

The estimates by the Treasury Department of disbursements for the ensuing fiscal year ending June 30, 1918, for which we are appropriating this session, are \$1,368,445,000.

The total amount of revenue from all sources, exclusive of the post office, including the big receipts from the revenue act of last session, is estimated for the next fiscal year to be \$1,001,750,000. This makes a difference of \$366,695,000, being the estimated excess of disbursements over receipts. If we deduct from that \$64,305,000, which is estimated to be in the general balance fund on June 30, 1917, we have \$302,390,000. Now, we should add to that \$100,000,000 in order to have a safe, wise,

working balance in the Treasury. It ought to be at least that much. This has been the opinion of the last several administrations. Sometimes it falls below that. It fell below that at times under the Roosevelt administration and at times under the Taft administration. It is less than that now. As stated, we ought to provide for at least \$100,000,000 as a general working-fund balance. Adding that, we have \$402,390,000, which we must meet either by proceeds of bonds or by additional revenue legislation, or both. We propose and recommend the issue of bonds, which I will explain later on in detail, to finance and reimburse the Treasury for expenditures on account of the Mexican situation, the construction of the Alaskan Railway, the armor-plate plant, and the purchase of the Danish West Indies. I think it was all agreed and understood by Republicans and Democrats alike when we presented the revenue bill last session, that we would finance the Mexican situation expenditures by the issue of bonds. It has been the custom of not only this Nation but of all nations to defray such expenditures by bonds, because it is impossible to anticipate by revenue legislation how much will be required or how little. We did not know when we presented the revenue bill of last session whether the present situation or the then situation would exist 2 months, 5 months, or 12 months, and we could not know whether it would cost \$125,000,000, \$200,000,000, or what. So we did not provide in the revenue act for such expenditure.

Last session the Treasury Department estimated it would only cost about \$125,000,000. We did not expect to remain on the border so long, nor do we know now how much longer our troops, or some of them, will have to remain. The department now estimates that the total expenditures for the border trouble will by June 30, 1917, reach \$162,418,000. It is estimated by the department that by the end of the fiscal year 1918—June 30, 1918—the expenditures on account of the Alaskan Railway will amount to \$21,838,000. The armor-plate plant, authorized by last session's naval appropriation act, will cost \$11,000,000. For these expenditures the Treasury will be reimbursed by the proceeds of bonds. They total \$195,256,000. Deducting this from the \$402,390,000 will leave \$207,000,000 which is absolutely necessary to meet by additional revenue legislation. Now, gentlemen, we present a bill for the consideration of the Congress, which from some quarters will have more opposition, receive more protests and denunciation than any bill we could present, and yet, in the opinion of the majority of the members of the Committee on Ways and Means, it is the wisest and the most equitable and least burdensome bill that has yet been suggested. I shall first take up for explanation the portion of the bill over which there are the least contentions. We propose, in addition to the present authorization of Panama Canal bonds, to authorize the Secretary of the Treasury to issue \$100,000,000 of bonds.

The amount of Panama Canal bonds now available for issue is \$222,000,000. This with the additional \$100,000,000 authorized by the pending bill will make a total authorization of \$322,000,000. The authorization in this bill becomes necessary in order to finance by the proceeds of bonds the following: \$162,418,000, Mexican situation expenditures; \$35,000,000, the total authorized cost of the Alaska Railway; \$25,000,000 for the purchase of the Danish West Indies; \$11,000,000 for the armor-plate plant; \$50,000,000 for the requirements of the shipping act of last session, authorized by the act to be provided for by sale of Panama Canal bonds; and \$20,000,000 for the nitrate plant, which also was authorized last session to be taken care of by the issue of bonds. This gives a total of \$303,418,000. The available amount of Panama Canal bonds, \$222,000,000, lacks \$81,000,000 of being enough to finance these specific objects to which I have alluded, and therefore this bill provides for an additional issue of bonds, not to exceed in the aggregate \$100,000,000.

In another section of the bill the Secretary of the Treasury is authorized to issue, instead of the \$200,000,000 now provided by law, \$300,000,000 of certificates of indebtedness. Under the present law, which is an un repealed part of the Payne Act, the Secretary of the Treasury is authorized to issue \$200,000,000 of certificates of indebtedness, drawing 3 per cent interest, running not longer than one year, but the total amount of such outstanding certificates of indebtedness at any one time not to exceed \$200,000,000. This was incorporated in the Payne Act in order to take care of any temporary deficit during a current fiscal year and is still the law. We increase that \$100,000,000, and instead of the \$200,000,000 now authorized, if this bill is enacted into law, the Secretary will be authorized to issue \$300,000,000. The reason for this is that income taxes and the excess-profit taxes provided for in this bill will all come into the Treasury practically during the months of May and June in a lump sum and not be spread proportionately over the year, like indirect

taxes or like the internal revenue from beer, whisky, and tobacco.

And so from about January until May and June, without such an issue of certificates, there would be a hiatus in collection of a large portion of the taxes, or a deficit amounting sometimes much over \$200,000,000. When the amount of income and excess-profit taxes is collected in May and June these certificates of indebtedness issued to supply this hiatus or deficit will be paid off.

The two taxing features of the bill are an increase in the estate tax and a tax on excess profits. In regard to the estate tax we simply increase the present rates 50 per cent. So the estate tax is exactly like it is in the present law, except that we increase each of the rates 50 per cent. In other words, where an estate now pays 1 per cent it will pay $1\frac{1}{2}$ per cent; if it pays 2 per cent, it will pay 3 per cent, and so forth, all the way up.

Before discussing the excess-profits tax let me call attention to the first provision of the bill—that is, Title I:

This title provides that the receipts from the excess-profits tax and one-third of the receipts from the estate tax provided in this bill, together with \$175,000,000, the additional revenue collected from the taxes levied in the revenue act of September 8, 1916, shall be set aside as a special preparedness fund to be used toward defraying the expenses for the Army and Navy and fortifications. It is provided, however, that should there be no other money available in the Treasury to meet current obligations that the Secretary of the Treasury may use this fund for other purposes, but like sums so disbursed must be returned to this fund.

We made this provision that everyone in this country will know, and especially everyone who will pay a tax under this bill will know, that every dollar of it goes for increased appropriations for the Army and Navy and fortifications.

Mr. SWITZER. Will the gentleman yield?

Mr. KITCHIN. I will.

Mr. SWITZER. As to the excess-profit tax, I would like to have an explanation as to whether a corporation would be allowed to exempt 8 per cent of its capital in addition to the \$5,000 referred to in the majority report.

Mr. KITCHIN. If the gentleman will wait a moment, I am going to reach that.

Every gentleman here knows that the tax measure last session and this tax measure are necessary because of the increased appropriations for the Army and Navy and fortifications. We set aside by the terms of Title I the taxes collected under this bill, with the earmarks of increased preparedness appropriations upon them, into a separate fund to be expended only for Army and Navy and fortification purposes. And we take \$175,000,000, annually collected under the last year's tax bill and add to that fund. We estimate that \$175,000,000 is the amount of additional revenue which that bill, made necessary by increases of appropriations for preparedness, raised over the revenues produced under the then existing law. And yet, in addition to such separate fund, on account of the immense appropriations for the Army and Navy and fortifications, we will have to take annually more than \$300,000,000 from the general fund to help defray such appropriations.

Now, as to the excess-profit tax. In the first place let me say that this excess-profit tax will in a large measure be paid by partnerships whose members and by corporations whose officers and directors, Democrats and Republicans, in every section of the country were loud clamorists for "preparedness;" who peremptorily demanded of Congress these huge increases of appropriations which make necessary this bill as well as the revenue act of last session. The advocate of such appropriations, who pays a tax under this bill and under the bill of last session, will know that not a dollar of it will go for so-called "pork barrels" in the river and harbor bill, or in the public-buildings bill, or for any other so-called "pork barrel" bill, but every dollar of it will go for what he desired and what he demanded, namely, for increased appropriations for "preparedness." While many whose partnership or corporations will have to pay taxes under this bill will protest as loudly against this bill as they shouted for the big appropriations which it will finance.

I am glad to say that some are patriotic enough, are fair-minded enough, appreciate its equity enough, to approve this excess-profit tax, and will pay it willingly. Not all the preparedness advocates and clamorists are seized and dominated by the impulse of avarice. An officer and large stockholder of one corporation has told me that his corporation will pay \$100,000 by reason of the provisions of this bill. "I am willing to do it," said he. "My corporation ought to pay it. We demanded

preparedness; we are willing to help pay for it. We know if we make sufficient profits for this Government to get \$100,000 from us we have made large and immense profits, and do not begrudge the Government the small part it gets. I wish we could make profits enough to pay the Government, under this bill, \$1,000,000 instead of \$100,000."

Mr. MADDEN. Will the gentleman yield to a question for information?

The CHAIRMAN. Will the gentleman yield to the gentleman from Illinois?

Mr. KITCHIN. I will.

Mr. MADDEN. What I would like to ask the gentleman from North Carolina is this: If he will be kind enough to tell the House why, in levying this tax on excess profits, the committee confined it exclusively to corporations, partnerships, joint-stock companies, and insurance companies, which in many cases are only organized because of the fact that the individuals who compose these companies have not sufficient money to engage in a business enterprise themselves, whereas the individual who is engaged in business by himself, on his own account, is so engaged because of the fact that he has sufficient capital to enter the business world without requiring the cooperation of other citizens with small means? Why the man, for example, with a sufficient amount of money to be able to run alone is exempt while the man or woman who have not enough money to go into business with on their own account and must combine with other people are taxed?

Mr. KITCHIN. I would have preferred for the gentleman to have asked that long question—

Mr. MADDEN. It is a very simple question.

Mr. KITCHIN (continuing). And argument later on, because I was going to come to that. But I will answer the gentleman now. In the first place the gentleman's assumption is contrary to actual business experience. It is the copartnership and corporation that gather in combination large capital for large enterprise, and not the individual. In exceedingly rare cases there doubtless are individuals, who as such, engage in big business. But even the individual with ample capital for large enterprise prefers and usually does, for manifest reasons, engage in them through the agency of the corporation. This bill, as the gentleman says, taxes only corporations and copartnerships, and does not apply to individuals.

The individual in the present income-tax law pays not only the normal tax of 2 per cent, but is in addition chargeable with a surtax running from 1 per cent up to 13 per cent, graduated according to the amount of income. The corporation pays only the normal tax of 2 per cent; does not, like the individual, pay a surtax, whether its income is big or little. The partnership as such pays no income tax at all. This is one reason why we did not include individuals in the excess-profit tax provision.

Another reason is the administrative difficulty which such a tax on individuals would present. The individual, having no partner or others, like stockholders or officers of a corporation, to account to, as a rule keeps no books as to his investments, his capital, his surplus, and so forth. He is engaged in various activities from which he derives his income, and the capital invested in such activities would be most difficult to ascertain.

There was another consideration that weighed somewhat with the committee in not applying the excess-profit tax to the individual. Under the present income-tax law an individual with same capital, in same business as a copartnership, perhaps in competition with it, is entitled to only one exemption of \$3,000 if a single man, or \$4,000 if married; while each member of the partnership is entitled to \$3,000 if single, or \$4,000 if married. If there are three partners and all married, there would be an exemption of \$12,000, while the individual would have only \$4,000.

If we applied the excess-profit provision to individuals, then, in addition to the several exemptions of partners under the income-tax law, the several partners would have the advantage of deducting a reasonable amount for the several salaries of the partners for their personal services, while the individual, if allowed any deduction on this account, would only receive deduction for one—his salary. And the stockholders of a corporation, two or more, if officers or employers, for their personal services would be entitled to deduct the reasonable salaries of each as against the individual's deduction of one salary.

Mr. MADDEN. Now, Mr. Chairman, will the gentleman yield for a further question?

Mr. KITCHIN. I will.

Mr. MADDEN. I would like to have the gentleman from North Carolina say whether he believes the corporations are not owned by individuals, and that the individuals are taxed?

Mr. KITCHIN. Yes; corporations are owned by individuals, but you take an individual and consider what he can do himself, outside of combination with others, and you will find he can not become a trust or a monopolist to control the prices of articles of commerce or of the necessities of life.

Mr. MADDEN. Would this bill include a man like John Wanamaker, who is running an individual concern?

Mr. KITCHIN. No; it would not include rare individuals like John Wanamaker, whose income runs into the hundreds of thousands and perhaps millions, but he pays under the income-tax law much more income tax than a corporation of like business and capital and income, because he pays a surtax and the corporation pays none.

Mr. MADDEN. Will the gentleman permit one more question?

Mr. KITCHIN. Yes.

Mr. MADDEN. Where did the gentleman get his information that individuals do not keep books? How do you levy an income tax upon an individual if he does not keep books?

Mr. KITCHIN. I remind the gentleman that the income under the income-tax law deals only with incomes and has nothing to do with the investments, amount of capital, surplus, and so forth. I know how much income I have, and the gentleman knows how much income he has, and yet it would be difficult to sit down and ascertain how much capital you have invested. We pay on the income, mattering not how much or in what way our capital is invested.

The gentleman from Illinois [Mr. MADDEN] and the standpat Republicans generally are complaining that by this bill we permit the corporations and copartnerships to have an exemption of \$5,000. Why, gentlemen, who first gave corporations an exemption of \$5,000? The Republican Party. The gentleman from Illinois voted for it himself. In the Payne Act did we not have a corporation tax of 1 per cent, and did it not give to every corporation an exemption of \$5,000? In the income-tax law, as to incomes, we did exactly what you say we ought to do now—we did not give the corporations any exemptions at all. We did what the gentleman now says is right, and they did what the gentleman now says is wrong. [Applause on the Democratic side.]

Mr. MADDEN. I was asking the gentleman a question.

Mr. KITCHIN. Yes; the gentleman was asking me insinuating questions. [Laughter.]

Mr. MADDEN. The gentleman ought not to put words into someone else's mouth.

Mr. KITCHIN. You are satisfied with the \$5,000 corporation exemption?

Mr. MADDEN. I am satisfied that the Democrats have no consideration whatever for any business enterprise in the United States. [Applause on the Republican side.]

Mr. KITCHIN. That is the right reply—

Mr. ASWELL. No special consideration.

Mr. KITCHIN. Everybody knows that 25 or 30 years ago a statement like that would have had the unanimous applause and approval of the Republicans in the House. It would have been new, but only about half a dozen applauded that because it has become so stale and unprofitable. [Applause and laughter on the Democratic side.]

I trust now I can have without interruption a few minutes in which to explain the nature and operation under the bill of the excess-profit tax. The bill provides for a tax of 8 per cent on the net profits or incomes of copartnerships and corporations which are in excess of, first, \$5,000, and, second, 8 per cent net profit on the "actual capital invested." Such net incomes or profits of a corporation is its next income shown by its income-tax returns, under the present income-tax law—that is, we take the net income of a corporation according to such income-tax returns as the starting point or basis of calculation for the exemption or deduction and for the tax. Capital does not include borrowed money. On borrowed money they have a deduction for interest. "Actual capital invested" means and includes (1) actual cash paid in, (2) the actual cash value at the time of payment of assets or property paid in other than cash, and (3) paid in or earned surplus and undivided profits employed in the business. Now, before this tax can attach to any copartnership or corporation, it must have the first, or \$5,000, exemption or deduction from the net profits, and then, in addition to the \$5,000, it must have a further exemption or deduction of 8 per cent clear net profit on the entire capital actually invested, including capital stock, surplus, and undivided profits, an exemption of 8 per cent clear profit after paying all taxes, overhead charges, salaries, labor and cost of raw material, wear and tear

of machinery and buildings, interest, and everything. Then the amount of net profit or income in excess of such exemptions is taxed 8 per cent. I am not such a business man like my friend from Illinois [Mr. MADDEN], but I will be glad to put everything I can save in any stock or any investment that would guarantee me clear 8 per cent net profit. It is twice as much as the widows and orphans of this country get on their little money loaned out, because on the average in this country, after paying municipal, county, and State taxes, they have left net about 4 per cent.

And yet before this tax attaches all corporations and all copartnerships, big and little, get \$5,000 flat exemption and then 8 per cent net profit upon the entire capital invested, including paid-in or earned surplus and undivided profits.

Mr. PLATT. Would the gentleman be willing to put all his money in a mining stock that yielded no more than 8 per cent?

Mr. KITCHIN. If before anybody else gets any of my money I am guaranteed \$5,000 and 8 per cent clear, I would be willing to put it anywhere, so far as this tax is concerned.

Mr. MADDEN. The gentleman talks about guaranteeing 8 per cent. I think if the gentleman and his party can guarantee 8 per cent, they can have every dollar that every investor in the United States has got to invest.

Mr. KITCHIN. Of course, the gentleman misunderstood. I said before this tax attaches, and so far as this tax is concerned, there must be a guarantee of 8 per cent before the Government gets anything.

Mr. REAVIS. As I understand the purpose of the bill from reading it, and the gentleman's statement, it is to tax business—not to tax corporations or partnerships, but the business of those institutions.

Mr. KITCHIN. It is to tax the excess of net profits or incomes of copartnerships and corporations, as I have just explained, except incomes of partnerships, derived from agriculture or from personal services.

Mr. REAVIS. I am asking solely for personal information. If that is the purpose of the bill, why should not the profit of a business in the hands of an individual pay the same tax as the profits of a business in the hands of a partnership or corporation?

Mr. KITCHIN. I might not have answered that to the satisfaction of the gentleman when I replied to a similar question of the gentleman from Illinois, but the reasons I gave to him are the reasons why the individuals are not included in the provisions for the excess-profit tax.

Mr. SMITH of Michigan. I understood the gentleman to say that the capital invested in a corporation was not liable to this tax up to 8 per cent.

Mr. KITCHIN. The excess of the net profits above (1) \$5,000, and (2) 8 per cent of the capital invested, including surplus and undivided profits, is liable to a tax of 8 per cent; that is, after deducting from the net profits or incomes these two exemptions the excess only is taxed at the rate of 8 per cent.

Mr. SMITH of Michigan. Take a railroad company, for instance, that has capital invested in its tracks, equipment, and right of way. Would that be exempted?

Mr. KITCHIN. No; the gentleman does not understand me. The exemptions are \$5,000 and 8 per cent of the capital invested, including surplus and undivided profits. These two exemptions are deducted from the net profits or incomes before the tax of 8 per cent attaches, and it then attaches only on the profits or income in excess of the two exemptions. Let me illustrate. Take a corporation or a partnership, without any surplus or undivided profits but with a capital paid in, in cash or in assets turned in, of \$100,000. The entire capital invested is \$100,000. Now, before this tax attaches at all from the net profits or income there is first a deduction of \$5,000 and then a deduction of 8 per cent of the \$100,000 invested, which is \$8,000. Adding these two exemptions or deductions, we have \$13,000 to be deducted from the entire net profit or income before the corporation or copartnership is liable for any tax. So in the case of a \$100,000 corporation or copartnership, before the tax attaches at all it must make, clear of everything, a net profit upon its capital of over 13 per cent. If the corporation or copartnership makes 8 per cent, it is not taxed at all. If it makes 10 per cent, it is not taxed at all. If it makes 12 or 13 per cent, it is not taxed at all, because there is no net profit or income in excess of the exemptions or deductions. But suppose it makes 15 per cent; in other words, makes \$15,000 profit on \$100,000? That is not much of a protective-tariff manufacturers' profit, I must admit, but it strikes me that is a mighty good profit, 15 per cent net, clear of everything. Now, you deduct \$13,000; that is, the flat deduction of \$5,000, plus 8 per cent upon the capital invested, which is \$8,000, totaling \$13,000. Deducting the \$13,000 from the entire net profit or income of \$15,000 leaves

\$2,000, which is the income or profit in excess of the exemptions or deductions allowed, called the excess profit. Upon this excess profit the bill provides for an 8 per cent tax. Eight per cent of this \$2,000 is \$160, the amount of tax this corporation or partnership would have to pay.

Gentlemen, the man inside or outside of this Capitol who says that \$100,000 capital of a copartnership or corporation making \$15,000 clear net profit is burdened by having to pay \$160 to help support this Government, to help, in their own language, to prepare this Government for properly defending itself against attacks by the foreign powers of the world, is a mighty small, narrow, avaricious man. [Applause.] Suppose this \$100,000 capital stock corporation had a surplus and undivided profits of \$50,000, then the deductions or exemptions would be \$5,000 plus 8 per cent on the capital stock and surplus and undivided profits. Eight per cent of this would be \$12,000; adding to this the \$5,000 makes \$17,000 exemption from the net profits before the tax attaches; that is, it would have to make over 17 per cent on the capital stock before paying any tax.

Mr. SNYDER. Has not the gentleman overlooked the 2 per cent that must be collected first?

Mr. KITCHIN. Oh, no; I have not overlooked that. That is the 2 per cent normal tax under the present income-tax law. This 2 per cent, as well as all other taxes, is credited or deducted as part of the business expenses before arriving at the net profits or incomes.

Mr. ADAIR. Would not the 2 per cent already paid under the other law be included as a part of the expense of the business?

Mr. KITCHIN. Yes; certainly. It makes no difference how much the county tax, or city tax, or State tax, or income tax, or any other tax that is levied may be, the amount so paid is deducted and credited before the net profit is ascertained as a part of the expenses of the business. The copartnership or corporation must have as one of the exemptions 8 per cent net profit after paying all taxes, salaries, and every other expense of the business before this tax attaches at all. In other words, so far as this tax is concerned, it makes no difference whether the corporation or partnership pays \$1,000 or \$100,000 of city, county, State, and Federal taxes, that \$1,000 or \$100,000 must be deducted and allowed as part of the expenses of the business; and after deducting that, with all other expenses, it is entitled to the 8 per cent clear net profit plus \$5,000 before this tax is levied.

Mr. MANN. If the gentleman will pardon me, I have been a little under the weather and have not paid as much attention to this bill as otherwise I would, or perhaps I would not ask this question. How do you arrive at the amount of capital invested? Here is the New York Central Railroad, for instance, which has a capital stock and a bonded indebtedness. I forget what it pays in the way of dividends, but I think 5 per cent now. It may earn as a profit as much as 8 per cent a year, deducting a portion of it for depreciation and betterment, which I suppose is done under the rules of the Interstate Commerce Commission, carrying the same as surplus. Will you take the capital stock of the New York Central Railroad as the amount invested; or, if the Interstate Commerce Commission had valued the New York Central Railroad—which it has not yet—will you take their valuation as the amount of capital invested?

Mr. KITCHIN. No. The bill itself explains what is capital actually invested. It is cash actually paid in, the actual value of assets, at the time of payment, paid in other than cash—paid in or earned surplus and undivided profits.

Mr. MANN. I venture to say in the case of the New York Central Railroad that it is impossible to arrive at those figures.

Mr. KITCHIN. Then, in the case of bonds, the bill provides that it does not include borrowed money—which of course covers bonds—by the corporation and partnership, but they deduct their 6 per cent or 4 per cent, or whatever it is, which they pay on the bonds, and thus they get the benefit of that.

Mr. NORTON. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. NORTON. The gentleman made the statement that there would be no 8 per cent tax at all until the corporation had made 13 per cent upon its capital.

Mr. KITCHIN. That is in the case of a \$100,000 corporation, without surplus and undivided profits. If it has surplus and undivided profits the deduction would be more as the 8 per cent exemption would be calculated on such surplus and profits as well as on the capital stock.

Mr. NORTON. Of course. That is not true when the capital is more than \$100,000.

Mr. KITCHIN. I am going to get to examples of corporations and partnerships of more than \$100,000 later on if not interrupted. But such larger corporations and partnerships

have exactly the same exemption, namely, the flat deduction of \$5,000 and the 8 per cent. Suppose we take a \$50,000 capital stock corporation. Before the tax attaches there must be the flat exemption of \$5,000 and the further exemption of 8 per cent on the capital, or \$4,000, which would total \$9,000. In other words, a \$50,000 corporation before the tax touches it must make 18 per cent on the capital stock. Let us now take a \$500,000 corporation or partnership. Before the tax attaches it has a \$5,000 exemption, and then 8 per cent upon \$500,000, or \$40,000, making a total exemption of \$45,000. Of course, the \$5,000 exemption does not cut as much figure in the amount of percentage of deduction in a \$500,000 corporation as it does in a corporation of \$100,000, but statistics show that a \$500,000 or larger corporation, in a large majority of cases, has surplus and undivided profits which will amount to as much as the capital stock; so that in a majority of cases a \$500,000 corporation having an equal amount in surplus and undivided profits will have exempted to it, in addition to the flat \$5,000, 8 per cent of the original capital and the surplus and undivided profits, making a little over 16 per cent on the original capital; that is, \$85,000 total exemption.

Mr. FORDNEY. Mr. Chairman, will the gentleman make the statement for the benefit of the House that he made to me in private conversation in respect to this? Suppose that a firm several years ago was organized with a capital of \$1,000,000, a sawmill and timber proposition, for instance. Since that time they have paid no dividends, but have added profits to the original capital to the extent of half a million dollars, while in the meantime the value of their property has enhanced another half a million dollars. The question is whether you are going to permit them to deduct a profit upon the million and a half or two millions, or what sums, or are you going to fix a date upon which time that value shall be based?

Mr. KITCHIN. Mr. Chairman, I want to say to the gentleman that in the case he cites, the 8 per cent deduction would be upon a million and a half dollars. In other words, you paid in first \$1,000,000. Then, instead of taking the dividends and putting them into your pocket you put them back into the company, say, a timber company, to the amount of \$500,000. That is your surplus or undivided profits. So your deduction would not be 8 per cent upon a million dollars, but would be 8 per cent upon the million and a half dollars. The bill provides that it is actual cash or assets paid in, and the surplus and undivided profits upon which the 8 per cent deduction is calculated. Now, then, in that case you would have, instead of a deduction or exemption of \$80,000, a deduction of \$120,000, plus the \$5,000 exemption. Let me ask you, between you and me, do you not think a concern that put in a few years ago a million dollars and then has \$500,000 of surplus and undivided profits and makes up on that \$125,000 clear money every year, is able and ought it not to help pay a little upon excess profits for the country's "preparedness"?

Mr. FORDNEY. I agree that that suggestion is right. But suppose the \$1,000,000 were invested 20 years ago and no dividends paid since that time, but the profits returned to the extent of half a million dollars?

Mr. KITCHIN. I understand that. A deduction, as I explained, of 8 per cent would be allowed on the half million dollars as well as on the original capital of \$1,000,000.

Mr. FORDNEY. But as the gentleman suggested to me, does he not believe that a fair valuation of that property should be had and that it should be permitted to earn a profit upon the valuation as of the date of the enactment of the law or certainly on March 1, 1913, the time when the income-tax amendment to the Constitution became effective?

Mr. KITCHIN. Mr. Chairman, that has somewhat disturbed me, to be perfectly candid, as I told the gentleman, in thinking the matter over in my own mind. I must confess that I have not yet arrived at a definite conclusion, but rather think the proper way is as the bill has it. We say in the bill cash paid in, and assets turned over or "paid in," the value of the assets taken at the time when turned over or paid in. It has occurred to me, and I want to say it to the members of the Committee on Ways and Means, and I have been somewhat worried over it, that it may be the proper thing to fix the date of the valuation of the assets turned over instead of cash as of March 1, 1913, the date of the income-tax amendment proclamation. However, I am inclined to the opinion that under all the circumstances, considering the administration difficulties involved, it is best to leave it as we present it in the bill.

Mr. FORDNEY. Such a provision was inserted in the act of September 8, 1916.

Mr. KITCHIN. Similar in some respects, but not in all. I said to the gentleman this morning that I was going to think that over further and discuss the matter with my colleagues

upon the committee and see what conclusion we can reach in respect to it.

Mr. HUSTED. Mr. Chairman, will the gentleman explain why the initial exemption is a fixed amount of \$5,000 instead of a certain percentage upon the capital and surplus and undivided profits? That would be a very small exemption in the case of a large corporation, but it might be a very large exemption in the case of a small concern.

Mr. KITCHIN. I would refer the gentleman to the Republicans who were the authors of the Payne Act, for in the minority views upon this bill they refer us back to that in order to get revenue, and I could have the gentleman ask them why they made a flat \$5,000 exemption to corporations, big and little, in the corporation-tax provisions just as we do in this bill. In all income-tax laws in all countries there is a flat exemption. When we levied an income tax during the Civil War we had a flat exemption. Then the next income-tax law was passed under the Cleveland administration. That had a flat exemption of \$5,000. The next income tax, called an excise tax, was in the Payne Act of 1909. This was a tax of 1 per cent on incomes of corporations. It had a flat exemption of \$5,000. The next income tax is the present act now on the statute books, in which a flat exemption to individuals of \$3,000 in the case of a single person and \$4,000 in the case of a married person is allowed. So, following the precedents in our own country, based on sound and wise policy, we provided in this bill a flat exemption, and in addition a percentage exemption.

Mr. AUSTIN. Will the gentleman yield?

Mr. KITCHIN. I will.

Mr. AUSTIN. I received in my mail yesterday morning a letter from a manufacturer of pig iron in my district complaining of this proposed tax. Under existing law his company pays a State tax, a county tax, and pays a city tax and a national-income corporation tax. Now comes this additional tax. He wants to know whether your committee could not raise some of this money from the maker of foreign pig iron who ships his product here and sells in competition without paying any tax. [Applause on the Republican side.]

Mr. KITCHIN. That is in substance the question every stand-pat Republican puts, and it is the question every man who makes tremendous profits and opposes this bill puts to us. Why not levy a protective tariff, they ask, so that they who are making the most exorbitant profits the world has ever known can enlarge their profits and shift the whole burden of this \$207,000,000 not to the foreigner, but to the people who buy coffee and tea and sugar and clothes and lumber and other necessities of life? Why not make the wage earner and the people who make no profits pay the tax? That is the question of difference between us. The gentleman is asking—

Mr. AUSTIN. His firm has made an average of 4 per cent.

Mr. KITCHIN. Well, then, his firm under this bill will not pay a cent. [Applause on the Democratic side.] Now, the gentleman ought to write back and tell them that he has so manipulated things here that they will not have to pay one single dollar under this excess-profit tax. [Applause on the Democratic side.]

Mr. AUSTIN. This firm has averaged since 1872 4 per cent.

Mr. KITCHIN. Four per cent only?

Mr. AUSTIN. It has averaged more than that of late, and comes within the provisions of this law on account of the increase in the production of pig iron on account of the European war.

Mr. KITCHIN. The gentleman says they are making an increased output and profit on account of the European war. How in the name of common sense can they have a foreign competitor in the home market when they are selling abroad and his European competitor can not sell here at all? [Applause on the Democratic side.]

Mr. AUSTIN. He will have plenty of competition at the close of the war—

Mr. KITCHIN. But we do not know when it will close. It may be six months, it may be six years. What we are after is to get the required revenue now for next year and for the next year. The gentleman's position is that he is for big appropriations for preparedness, but against any kind of a revenue bill that will raise the money to pay for it.

Mr. HULL of Tennessee. Will the gentleman yield?

Mr. KITCHIN. I will.

Mr. HULL of Tennessee. At the bottom of page 3 it says:

Every foreign corporation and partnership, including corporations and partnerships of the Philippine Islands and Porto Rico, shall pay for each taxable year a like tax upon the amount by which its net income received from all sources within the United States exceeds the sum of 8 per cent—

And so forth.

Then it proceeds to apply the tax as if it were a domestic corporation.

Mr. KITCHIN. Now, the gentleman, who poses as a good standpat Republican, says that in all the years since 1872, most of which were under Republican administrations, under Hayes, under Harrison, under McKinley, under Roosevelt, and under Taft, this company has not been able to earn but 4 per cent, but now, under the Wilson administration and the Democratic Party, it is earning much more than 8 per cent. [Applause on the Democratic side.]

The gentleman, I suppose, thinks it would have been all right when they were earning 4 per cent in lean years to tax part of that profit, but now, under a Democratic administration, they are enabled to make much more than 8 per cent, we ought not to tax them at all. [Laughter.] This concern is a pretty good illustration, gentlemen, whether in my State or your State, of the cruel demands of avarice. Think of such a demand now when everyone knows that the cost of living is higher than ever before, that a man who receives a salary, the employee and the wage earner who receives a daily wage for his daily toil, are paying more to-day for something to live on and to keep body and soul together than ever before.

Every man knows that the advance of wages in this country has not kept step with the advance in the cost of living. Every man knows further that the profit makers, the manufacturers, the business enterprises, and industries in this country are making the most tremendous profits in all the history of industry. What is their proposition? "Do not tax us. We are reveling in orgies of profits. Restore for us a high protective tariff. Although the cost of living is higher than ever before, put this tax upon consumption, put it upon the employees, upon the laboring man, put it upon the lawyer, the doctor, the merchant, the farmer; put it somewhere that will cause the cost of living to go higher; put it somewhere, so that we, who are making the most exorbitant profits in all history, will, by a law which you write, be able to make out of the people larger profits and at the same time escape all taxation." [Applause.] That is the proposition of the gentleman and his party here.

Never, my countrymen, was the demand of avarice so bold, so cruel, so wicked, so inhumane, as this demand of my friend from Tennessee [Mr. AUSTIN], and the demand of the Republican Party here. Restore the protective tariff. Put a tax on tea, on coffee, on lumber; put a higher tax on sugar; increase the tariff tax on underwear, on clothes, and on all necessities of life. This is the alternative which the Republicans offer. In these days of unprecedented advance in the cost of living our committee thought it would be an outrage upon the American people to propose any such bill as the opponents of this bill recommend. [Applause on the Democratic side.]

Mr. AUSTIN. You are perfectly willing to add to the taxes of an American maker of pig iron, but you want to continue to put the product of the iron furnaces of Europe on the free list and not exact a farthing to help run this Government.

Mr. KITCHIN. Why do you put that ridiculous question to me when you admitted a few minutes ago that your company was shipping pig iron abroad in competition with the world and making more profits by over 100 per cent than at any time since 1872? Will you not ever learn any better? [Applause.]

Mr. FESS. I would like to ask three questions. First, what was the theory of the exemption of agricultural associations?

Mr. KITCHIN. The gentleman means, of course, the income of partnership derived from agriculture. I will say to the gentleman from Ohio that that question has been asked a considerable number of times. There is one very serious objection to including it, namely, the difficulty in its administration. Who knows what is invested in land and farming? If you use fertilizer this year, how much of that fertilizer is consumed by the profit-making growing crop and how much goes over to next year in improvement of the soil, and next year, and so on. If you ditch it, if you put 10,000 yards of ditching on a farm, how much of that ditching can you charge up to the current year's crop or operating expenses, and how much as permanent improvement?

There are a thousand and one things that enter into farming operations that would be most difficult to say whether it is operating current expenses or is new capital put in, or should go to surplus. For more than a thousand years it has been the policy of every government—your party always claimed that it was its policy—to foster agriculture. There are many exceptions in the laws of this and all nations as to agriculture. I understand that every country in the world, as I said yesterday in answer to the gentleman from Pennsylvania, that levies an excess profit tax exempts incomes from agriculture. Now, we

thought if Canada could except her farmers, if Great Britain could except her farmers, if Germany could except her farmers, if Russia could except her farmers, that we, in framing this revenue bill, could afford to exempt ours. I ask the gentleman if he objects to it?

Mr. FESS. Yes; I do.

Mr. KITCHIN. Does he object to excepting the farmers of Ohio from this bill?

Mr. FESS. I object to discriminating in favor of any farmers' association in Ohio or elsewhere who would fall within the provisions of this bill if you put it on other people. It seems to me it is inequitable.

Another question. I wanted to ask three questions before I sat down.

Reverting to the interruption of the gentleman from Tennessee [Mr. HULL], in reading at the bottom of page 3, he says there is a provision for taxing foreign corporations. Does that mean that you will tax the profits of a foreign corporation domiciled in Europe that is selling in this country?

Mr. KITCHIN. Yes; the excess in proportion to the capital, as is fully explained and set out on page 4 of the bill which you have before you.

Mr. FESS. Is not this a foreign corporation that is doing business in this country?

Mr. KITCHIN. Yes; and it is taxed under this bill.

Mr. FESS. Now, this question: Referring to the declaration to allow the revenue tariff suggested by my friend from Tennessee [Mr. AUSTIN], you said you did not want to add to the increased cost of living by a protective tariff. Do we not have a higher cost of living under your free-trade system?

Mr. KITCHIN. Yes; under the Underwood tariff act, but not because of the act. And if you Republicans would write a tariff increasing its rates, the cost of living would be that much higher. Shoes are higher now than they have ever been. Both shoes and hides are now on the free list. Your party put hides on the free list in the Payne Act and our party put shoes on the free list in the Underwood Act. Do not you believe that the price of shoes would be still higher if we were to put a 15 per cent tariff tax on them, and that it would cost the American manufacturer a little more to make them if we had a 15 per cent tariff tax on hides, which he would have to pay?

Mr. FESS. Certainly not; because you said when Republicans took the tariff off the price went up.

Mr. KITCHIN. Neither I nor any Democrat nor any Republican ever said that hides went up because the tariff was taken off. All claim that the price would necessarily be still higher if we were to put a tax of 15 per cent on them, as the Dingley Act had. The professed object of all Republicans in having a protective tariff is and always has been to enable the American manufacturer to get higher prices for his products in order to enable him to compete with the foreigner. If you do not believe that a high tariff enables the manufacturer to get a better price than he otherwise would get, what in the name of common sense do you want it, in the interest of protection to American industry, for. [Applause on the Democratic side.]

Mr. FESS. Let me answer that question. My friend said that placing leather on the free list, as the Republicans did, resulted in the price going up. I admit that. That is because you put it on the free list. Now, if you put it on the protected list the price will go down, would it not? [Applause and laughter.]

Mr. KITCHIN. Well, gentlemen, that is the gentleman's argument. Of course, he as well as every other man here knows that I never said that putting leather on the free list caused it to go up. Everyone knows the only fellows that would make that idiotic argument are stand-pat Republicans like my friend from Ohio. If they believe that because hides went on the free list the price of hides went up, every Republican protectionist in the House would favor putting all the products of the manufacturers on the free list, because then they would better serve the interests of the manufacturers, by forcing up higher the prices of their products. [Laughter.]

Mr. FESS. Mr. Chairman, will the gentleman permit a further interruption?

Mr. KITCHIN. Yes.

Mr. FESS. If you discourage home production by bringing American production into competition with that of Europe, and this increases foreign production, then the price will go up. That is what free trade does.

Mr. KITCHIN. Who is competing with us now? You say that this great prosperity is not because of the Wilson administration and is not because of Democratic legislation, but because nobody is competing with us here; that we are shipping goods abroad and getting high prices, competing with everybody on earth. But Republicans still insist that in order to

protect American industry, and incidentally to get \$200,000,000 and more of needed revenue, we should put the Payne tariff back on the statute books. It has been shown time and again that it is impossible to produce the revenue by restoring the protective-tariff Payne Act.

Mr. FESS. Is it not true that we imported \$577,000,000 more goods than ever before and collected \$111,000,000 less?

Mr. KITCHIN. The Payne Act in its last and best year, and without war, produced \$353,000,000. The Underwood Act last year produced \$334,000,000. More than \$577,000,000 came in on the free list, and a billion dollars of imports on the free list came in last year, and those identical articles were on the free list under the Republican Payne Act. [Applause on the Democratic side.] We imported last year of articles on the free list \$159,000,000 of rubber, \$119,000,000 of raw silk, \$158,000,000 of hides and skins, \$59,000,000 of fibers, \$40,000,000 of cotton, \$35,000,000 of cocoa, \$20,000,000 of tea, \$115,000,000 of coffee, all of which, and millions more, were on the free list under your Payne Act. Why, then, do you complain and accuse us of bringing in these things free of duty? [Applause on the Democratic side.]

Mr. FORDNEY. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. FORDNEY. The gentleman ought to know that there are at least 500 articles on the free list in the present tariff law that were also on the free list under the Payne law.

Mr. KITCHIN. And by far the greater part of free importations now are of articles which were on the free list in the Payne Act.

Mr. ELSTON. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. ELSTON. Does the gentleman mean to say that there will be an exemption from the provisions of this bill of corporations such as we have in California for the raising of sugar beets? Does the gentleman classify such corporations as agricultural corporations?

Mr. KITCHIN. Oh, no. Do not think that the big sugar corporations out in California could put one like that over the Ways and Means Committee. [Laughter.] The agricultural exemption is applied to partnerships and not corporations. We have got them all in, every one. [Applause on the Democratic side.]

Mr. ELSTON. For instance, take the case of some of our land barons. I have in mind the case of a \$40,000,000 estate, owned individually, or owned by a family group in partnership. Does the gentleman say that it is fair and equitable that a tremendous estate like that should be exempted?

Mr. KITCHIN. For individuals of large estates, such as the gentleman indicates, yes; because they would have to pay a large surtax under the income-tax law; but if they are not individuals but copartnerships, then the income from agriculture would be excepted in this bill. But they are not copartnerships, as the gentleman thinks. They are corporations. The big sugar corporations in California and elsewhere in this country will pay the tax under this bill, and you do not blame us either, do you?

Mr. ELSTON. I will say to the gentleman that I am not against the principle of this excess-profits tax [applause on the Democratic side]; I believe that taxes should be put upon those best able to bear them. As to the equality, the fairness, and the uniformity of this tax, I think there can be valid objections. Taxes should be equal and uniform, and should not bear disproportionately on one class, or on industry almost exclusively.

Mr. KITCHIN. It is uniform. The gentleman's first objection was that he thought we were going to exempt these big sugar corporations out there that would come in competition with the individual farmer. That was the gentleman's complaint. I showed the gentleman that they would be required to pay just as they should pay.

Mr. ALMON. Will the gentleman state which other countries have this excess-profit tax, and what the rates are in those countries as compared with this country?

Mr. KITCHIN. Great Britain has an excess-profit tax, and I understand it is 60 per cent. Her law bases the deduction upon the average per cent of profits the business was making for the three years before the war. For instance, if the per cent of profits for the three years prior to the war was 8 per cent, it deducts 8 per cent and taxes the excess profits 60 per cent. But I understand that the profits prior to the war were less than 8 per cent, and therefore the deduction is less. Germany has a little over 30 per cent, France has 40 per cent, and Russia has 40 per cent. Canada has 25 per cent, with a deduction of only 7 per cent for corporations and 10 per cent for others. Our deductions and exemptions are more than the deductions and exemptions of any other country, and we tax the excess of profits made less than any other country in the world.

Mr. FORDNEY. But is not that a war tax in Europe?

Mr. KITCHIN. Yes; that is a war tax in Europe. Many of you have been shouting preparedness in this country in order to get big appropriations out of the Treasury, until you have made the people think that our country is in as much danger as any of the warring nations in Europe, that the Japs are coming over from the west, and England, Germany, and France, and Russia are all coming from the east. We have been told that we are in deadly peril. We have been told by the jingoes that the belligerent nations, bankrupted and exhausted, just as soon as the war is over, looking over at America, with her big, rich, untouched resources, are going to join together and come over and conquer us, or make us indemnify them for all the losses in the war. That is the kind of stuff that your Navy League and your Security League and you Republicans and some of us good Democrats have been putting out to the country. [Applause.]

Mr. BUTLER. And the President of the United States. He asked us to give him the biggest Navy in the world.

Mr. KITCHIN. As much as I think of the President of the United States—and I think he is one of the greatest we have ever had, and I have got as much confidence in him as I have in anyone—I have never said that the President of the United States was not sometimes as wrong as Republicans are all the time. [Applause and laughter.]

Mr. BUTLER again rose.

Mr. KITCHIN. Let me get through explaining this bill.

Mr. BUTLER. Would the gentleman prefer that we should not interrupt him?

Mr. KITCHIN. It is all right. I do not care. Go ahead. About the only thing Republicans are going to get out of this thing is courtesy, so go ahead. [Laughter.]

Mr. BUTLER. The gentleman is always civil, and therefore it is a temptation to us to have a little bit of a dispute with him. We can not, however, forget the fact—although gentlemen may say we are always in the wrong—that the President of the United States speaks for the American people, and I am one of those who followed him in what he has advocated. Therefore, when the gentleman talks about these excessive appropriations, I want him to include the leader of the American people.

Mr. ADAIR. Is not our leader advocating this bill?

Mr. KITCHIN. Yes. Whenever a Republican follows a Democratic President, he always follows him when the President is wrong, and never follows him when the President is right. [Applause and laughter.] My criticism of you is that the President has been right in ninety-nine cases out of a hundred, and you did not follow him in the ninety-nine cases wherein he was right. In this case the President, in my opinion, made a mistake, and Republicans follow him. [Laughter.]

Mr. SWITZER. Will the gentleman yield?

Mr. KITCHIN. I yield to the gentleman from Ohio.

Mr. SWITZER. The gentleman seems to be informed as to the taxes that are levied in England.

Mr. KITCHIN. Does the gentleman mean excess-profit taxes?

Mr. SWITZER. I mean the taxes that we are borrowing from England.

Mr. KITCHIN. Prior to the war?

Mr. SWITZER. Will the gentleman specify if there are any other taxes levied in England that we have not adopted, or are not now trying to adopt?

Mr. KITCHIN. England has enough concern for the men and the women and children who must have food to eat and clothes to wear and blankets under which to sleep that she does not in times of peace, as the gentleman's party does, put a tax on these necessities of life in the interest of tariff barons.

Mr. MADDEN. How about the income tax?

Mr. KITCHIN. I am glad the gentleman mentioned it. Before the war Great Britain taxed incomes twice as much as our income-tax bill of 1914, and 50 per cent more than our income tax of last year. In other words, Great Britain before the war collected about \$240,000,000 in income taxes on total incomes 50 per cent less than ours.

Mr. MADDEN. Will the gentleman state the exemption in England?

Mr. KITCHIN. I think the exemption was \$750. And yet the man whose income over \$750 is taxed did not pay as much taxes there as a man pays here who earns much less than that. You must remember that when he pays there a tax on incomes in excess of \$750, the rates of which is low on small incomes and is higher as the income increases, he does not pay anything like as much as one would here in poll taxes, in city, county, and State taxes. He pays no tax on hats, on shoes, on clothes; but the man who only gets \$3 a day here pays every one of these taxes. The man who gets \$3 a day, the wage earner, under a Federal indirect-tax system such as the gentleman's party favors,

with the State and county taxes, pays more taxes than the man in England paid who had an income of \$2,000.

Mr. DENISON. Will the gentleman state what reason governed the committee in determining the 8 per cent for excess tax?

Mr. KITCHIN. To get the required amount of revenue. We put the exemption or deduction at 8 per cent, because we thought 8 per cent was a good, fair investment profit, and we did not want to make the tax burdensome to anybody. Does the gentleman think it should be higher or lower, or what would he put it at now?

Mr. DENISON. I was not speaking of the justness of the tax. I was asking the gentleman an intelligent question.

Mr. KITCHIN. And I am asking the gentleman an intelligent question.

Mr. DENISON. I wanted to know what consideration determined the committee in fixing it at 8 per cent.

Mr. KITCHIN. I have given the gentleman the information. Now, would the gentleman put it higher or lower?

Mr. DENISON. I would devise an entirely different system of taxation.

Mr. KITCHIN. What kind of a system would the gentleman devise?

Mr. DENISON. I would put a tariff on imports, myself.

Mr. KITCHIN. Would the gentleman put a tariff on tea?

Mr. DENISON. No, sir.

Mr. KITCHIN. Would he put a tariff on coffee?

Mr. DENISON. No, sir.

Mr. KITCHIN. Would he put a tariff on wool?

Mr. DENISON. Yes.

Mr. KITCHIN. Would he put a tariff on lumber?

Mr. FORDNEY. Yes.

Mr. DENISON. Yes. [Laughter.]

Mr. KITCHIN. I do not think the gentleman from Michigan should coach the gentleman from Illinois. He is fully able to take care of himself. The gentleman said that he would tax wool. Of course, if you are going to put a tax on wool and thereby make the manufacturer pay more for it, then you, like the Republicans have done in every tariff they have written since 1867, must increase the tariff tax on the manufactured product—on clothing—as a compensatory duty for the increased duty on the raw material. The consumer would pay thereby a higher price for woollen clothes. Would not you do that?

Mr. DENISON. I rose to ask the gentleman a question, for information which he does not give, but puts to me 15 or 20 questions.

Mr. KITCHIN. Oh, yes; the gentleman rose to tag me, but he won't allow me to tag him. [Laughter.]

Mr. DENISON. Does my friend consider that I am tagging him?

Mr. KITCHIN. Would the gentleman put a higher tariff on woollen goods that the people must have?

Would he put a higher tax on sugar than there is to-day? Will the gentleman answer yes or no?

Mr. DENISON. Does the gentleman want me to take the floor?

Mr. KITCHIN. Would you put a higher tax on sugar?

Mr. DENISON. Yes, I would; just as the Democrats did.

Mr. KITCHIN. Yes; when sugar is higher than ever before, and the sugar companies are making millions of dollars profit out of the people, he would levy an additional tax on sugar and make the people pay it and at the same time enable the great sugar companies to make more profit still. That is their proposition. They want to levy by an increase of the tariff a tax whereby the cost of living to the consumer, to the wage earner, will be sent higher, and by which at the same time the manufacturers of sugar and woollen goods and of lumber can exact a higher price from the people and thereby swell their already swollen profits. But they refuse to take \$1 of that profit to help support the Government.

Mr. MOORE of Pennsylvania? Will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. MOORE of Pennsylvania. In order to relieve this situation for a moment—

Mr. KITCHIN. When did the gentleman ever relieve a situation here? [Laughter.]

Mr. MOORE of Pennsylvania. I have helped the gentleman get a laugh from his own side.

Mr. KITCHIN. Why, it is the only side that feels good, that can laugh. You gentlemen have nothing to laugh over.

Mr. MOORE of Pennsylvania. Oh, we are just as much amused as the gentleman's side is. But while we are discussing enormous profits and the distribution of this tax will the gen-

tleman kindly indicate whether the high cost of living is attributable in any way to the increased profits of the cotton producer?

Mr. KITCHIN. Oh, the gentleman from Pennsylvania just can not keep from being a little bit sectional. Why mention cotton of the South and not wheat and corn of the West.

Mr. MOORE of Pennsylvania. I would like the gentlemen on the other side to laugh a little bit now. Has the gentleman so shaped this bill that the cotton producer or the exporter pays a single cent of this tax? Will the gentleman answer?

Mr. KITCHIN. The cotton producer pays no tax under this bill unless the producer is a corporation. Neither does the wheat, the corn, the grain, the truck, the live-stock producer, nor the producer of any other agricultural product, unless a corporation, pay any tax under this bill. Since the gentleman has mentioned cotton, let me tell him that, unlike the products of his State, there has not been in 50 years any tariff or any kind of protection on cotton. Our cotton goes out to the markets of the world in competition with millions of bales from India and Egypt, and we have never asked and do not ask for one single penny of tariff protection though \$40,000,000 worth of long staple cotton was imported here last year free in competition with our long staple cotton. We did not ask it when cotton went down to 6 cents a pound. Cotton is now 15 cents, it has been this season as high as 20 cents a pound, the highest it has reached in over 40 years. This good price was the result of the good sense and the economy of the farmers of the South, who said that instead of making a 16,000,000 bale crop and having a surplus of five or six million bales which, on account of war they could not export, they would cut down the acreage and make 11,000,000 bales. This high price does not compensate the loss in bales that the cotton farmer voluntarily incurred, and the loss in price he incurred in 1914 when the European war broke out. We lost on our cotton crop \$400,000,000 in the South, in 1914, and this 15 to 20 cent per pound cotton does not pay it back. [Applause on the Democratic side.]

Mr. MOORE of Pennsylvania. The gentleman admits that cotton pays nothing in this bill. Will the gentleman deny that this bill is intended to levy a tax upon those who manufacture the raw cotton?

Mr. KITCHIN. Cotton pays or does not pay just exactly like wheat in the West, like truck, and grain, and dairying, and stock raising in the gentleman's own State and other States. If produced by a corporation and there is an excess profit it pays a tax. If not, it, like other agricultural products, does not pay.

Mr. MOORE of Pennsylvania. The gentleman wanders from the question, as usual. The tax is imposed upon the manufacturer of cotton and is not imposed upon the producer.

Mr. KITCHIN. The gentleman is enough to make anybody get away from the question. The tax will be paid by the manufacturers of cotton and by the manufacturers of other agricultural products provided the manufacturer is a corporation or copartnership and there is an excess profit.

Mr. HUSTED. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. HUSTED. I think the gentleman stated as one of the reasons for exempting the profits of agriculture from the provisions of this bill the administrative difficulties in the enforcement of the law.

Mr. KITCHIN. That is one of the reasons.

Mr. HUSTED. I want to ask whether he considers it more difficult to keep track of profits on the farm than of profits in a large manufacturing industry?

Mr. KITCHIN. It may be the gentleman is right. It may be that it is easier to keep track of profits of any industry than one of these protective-tariff manufacturing industries. The tariff board here under Taft's administration could not get track of them in everything.

Let me return to the excess-profits tax. An official of a big corporation came into my office yesterday to protest against this method of taxation, declaring that it was disastrous and confiscatory. I asked how much his corporation would have to pay under the bill and he said about \$500,000. "That sounds mighty big; that is a big tax," I said. "But, my friend, you have not given the other side. When you tell me that under this excess-profits tax your corporation will pay \$500,000, I tell you that that is evidence that it is making a most tremendous profit. Before the Government gets a cent of that \$500,000 your corporation shall have already had \$5,000 deducted and 8 per cent clear net profit on your capital stock, surplus, and undivided profits, which alone is a good investment profit, and in addition to that profit you have eleven times \$500,000, or \$5,500,000 of clear profit. In other words, after setting aside for your 8 per cent net profit on your investment and then the \$5,000 your corporation gets \$5,500,000 additional clear profits and the Government only gets \$500,000. That is

about one-twelfth of your profit in excess of \$5,000 and a net profit of 8 per cent." Now, can any man say that is an exorbitant or disastrous or burdensome tax for that concern to pay to help support and defend the Government under which it had made such immense profits?

Mr. BUTLER. Mr. Chairman, will it interrupt the gentleman if I should ask him a question or two?

Mr. KITCHIN. Not a bit.

Mr. BUTLER. I voted for some of these large appropriations and we have got to pay the price. I want to ask the gentleman a question or two.

Mr. KITCHIN. Surely.

Mr. BUTLER. I do not care about involving the country in debt if I do not help to pull it out. How much money have we to raise this year, or rather how much money are we short? Will the gentleman answer one or two questions so I can get it straight in my mind? I am not going to listen to all the speeches on this subject.

Mr. KITCHIN. According to the estimates of the department—

Mr. BUTLER. For this year?

Mr. KITCHIN. For 1918.

Mr. BUTLER. For the present year up until July 1, 1917. How much short will we be?

Mr. KITCHIN. This year, ending June 30, we will have the general balance fund reduced to about \$64,000,000. The excess of disbursements over receipts for this fiscal year, ending June 30, according to the estimates of the Treasury Department, will be between \$160,000,000 and \$170,000,000. But the gentleman and the House should understand that included in the estimated disbursements are the estimated expenditures on account of the Mexican trouble, amounting to \$162,418,000. This accounts for the apparently large excess of disbursements. These expenditures, as the House understands, were not provided for in the revenue act of last session. We intended then, and I so stated to the House, to meet such expenditures by bonds, and in this bill we are so providing. Out of the proceeds of the bonds the Treasury will be reimbursed to the amount so expended.

Mr. BUTLER. Now, how are we going to raise that? What is the gentleman's proposition?

Mr. KITCHIN. That excess of disbursements will be reimbursed to the extent of \$162,418,000 as just explained. The revenue bill of last session, most of which will be paid in May and June, together with part of the large general balance fund in the Treasury at the end of the last fiscal year, provides for the increase of preparedness appropriation of last session.

Mr. BUTLER. Will that raise a sufficient amount?

Mr. KITCHIN. Yes; that with part of the general balance fund, as stated, but it will reduce the balance in the general fund at the end of the present fiscal year to about \$64,000,000—too low for the balance to be.

Mr. BUTLER. Therefore it is not contemplated by this bill we are to raise any revenue except to provide for the expenditures of next year?

Mr. KITCHIN. For the next and following years.

Mr. BUTLER. One or two questions more.

Mr. KITCHIN. Go ahead.

Mr. BUTLER. I would not disturb the gentleman, but he is well informed. I am not here for the purpose of provoking merriment but endeavoring to learn, for this is not a trifling business of putting \$400,000,000 or \$500,000,000 tax on the American people.

Mr. KITCHIN. It is most serious; go ahead.

Mr. BUTLER. How much do we propose to bond the Government for?

Mr. KITCHIN. We propose bond issues for the following purposes: One hundred and sixty-two million four hundred and eighteen thousand dollars for the Mexican situation.

Mr. BUTLER. Does that cover Vera Cruz?

Mr. KITCHIN. No; Vera Cruz is paid for. This is for the Mexican border trouble. For the construction of the Alaskan Railroad, \$35,000,000.

Mr. BUTLER. I voted for that.

Mr. KITCHIN. For an armor-plate plant, \$11,000,000.

Mr. BUTLER. I did not vote for that.

I want to know whether or not I can vote for this bond issue and vote for it separately?

Mr. KITCHIN. Twenty-five million dollars for the purchase of the Danish West Indies.

Mr. BUTLER. I approve of that.

Mr. KITCHIN. Bonds already authorized but not issued under the shipping act, \$50,000,000. Nitrate plant, \$20,000,000. These several items make \$303,418,000.

Mr. BUTLER. For which we are going to bond the country?

Mr. KITCHIN. Yes. We have available for issue \$222,000,000 of Panama bonds. We require \$303,418,000 for the specific objects mentioned. We propose now to authorize the Secretary of the Treasury to issue, in addition to the amount of Panama bonds available, as required to meet the expenditures on account of such objects, bonds not exceeding \$100,000,000.

Mr. BUTLER. Making how much?

Mr. KITCHIN. The whole bond issue, already authorized and to be authorized by this bill, \$322,000,000.

Now, that is not so bad—

Mr. BUTLER. No; it does not seem so large to me. [Laughter.] Although it is quite a little bit.

Mr. KITCHIN. Does the gentleman wish any more information?

Mr. BUTLER. Yes. And what sort of deficiency do we propose to make up for the balance of the tax you are about to levy? Will we have an opportunity to vote for the bond issue separate and apart?

Mr. KITCHIN. The tax we propose to levy is made necessary by increased appropriations for preparedness. In the Committee of the Whole you can offer an amendment to strike out all except the bond provisions.

Mr. BUTLER. Yes; but does the gentleman propose to give us an opportunity? It will be a very lame attempt that I would make.

Mr. KITCHIN. I am going to explain how you can do it. You want to vote on the bond issue?

Mr. BUTLER. I am perfectly frank to say that I am willing to vote for the bond issue to pay for what is known as military preparedness which the Government has been making, because I helped to do that.

Mr. KITCHIN. You want to vote separately on the bond question in this bill?

Mr. BUTLER. Yes. I would like to vote for the bond issue that would cover this military preparation.

Mr. KITCHIN. The bond issue is not for preparedness. The tax in the bill is for that. I will tell you how you can vote separately in the bond issue in the bill. If you do not care to offer amendment in Committee of the Whole, being opposed to the bill, get recognition from the Speaker, and then make a motion to recommit with instructions to strike out all portions of the bill except the bond provisions.

Mr. BUTLER. I am a little familiar with the rules of the House, but I know it would be rather a useless attempt for me to make, and therefore I do not see how I can vote for any part of this bill.

Mr. KITCHIN. If you will make the motion to recommit and you are cut out from that motion to recommit, it will be because you are prevented by your colleagues and not by us.

Mr. BUTLER. I want to thank the gentleman for answering my questions.

Mr. KITCHIN. Do you thoroughly understand it now?

Mr. BUTLER. I do not. [Laughter.] Some day there will appear a man who can understand it.

Mr. GORDON. Will the gentleman yield for a question right there?

Mr. KITCHIN. I will.

Mr. GORDON. Are the taxes provided for in this bill intended to pay for the increase of expenditures in the Army and Navy and in the fortifications bills for this year, with an excess over last year?

Mr. KITCHIN. Yes, sir; it covers that for which the gentlemen here, three-fourths of them on both sides, are going to vote.

Mr. KEARNS. How much?

Mr. KITCHIN. The estimates are \$164,000,000 increase over similar appropriation made last session, and \$520,000,000 over similar appropriation for fiscal year 1915-16. But understand the appropriation for preparedness for the last year took out of the general balance fund about \$75,000,000. And we should put that back or certainly enough to make \$100,000,000 in the general balance fund.

Mr. FERRIS. As I understand the chairman of the committee, there are about \$233,000,000 of contracts for which the Government stands committed, passed during the last session of Congress, in the Army bill. That will be one item.

Mr. KITCHIN. This tax continues. It is hoped that it, together with existing revenue laws, will take care of the Government expenditures in the years hereafter.

Mr. FERRIS. These authorizations were made last year and the Government stands committed?

Mr. KITCHIN. Yes; that is, for such authorizations as were made in the acts of last year, as long as they remain unrepaid.

Mr. STAFFORD. Will the gentleman yield there?

Mr. KITCHIN. Yes.

Mr. STAFFORD. What was the purpose of the last revenue bill, except to provide for these increased appropriations?

Mr. KITCHIN. You have increased them for the next year, according to the estimates, by \$164,000,000 over last year, and last year's appropriation will, in addition to the new tax levy of last session, take about \$75,000,000 from the general balance fund of last year.

Mr. STAFFORD. After we pass the Navy, military, and fortifications bills.

Mr. FERRIS. These continuing contracts will not be completed in this fiscal year, but over a period of years.

Mr. KITCHIN. Such contracts as have been or will be made under a three-year program. I would like to call the attention of the House, and I wish I could that of the country, to the tremendous increases in the appropriations for preparedness we have been making. If we continue to yield to the jingo clamor, and go on increasing yearly such appropriations, I do not care which party is in, it is going to puzzle the brains and worry the wits of Congress to find means of procuring from taxation the amount necessary to finance such appropriations.

Now, just stop a moment and think! The largest appropriation for Army, Navy, and fortifications by over \$10,000,000 that Congress had ever passed before "preparedness" struck the country was in 1915 for the fiscal year 1915-1916. It amounted to \$258,000,000. Men in this House—Republicans and Democrats—held up their hands and said, "We will never go any further. We must call a halt." When this \$258,000,000 of appropriations was passed the European war had already been raging over six months. We knew every fact about the war that we know now. We knew about the big ships, the big guns, every military device, everything that we now know. We thought that was big then.

But then came along the Navy League and the Security League and these other so-called patriotic leagues, largely controlled by munition manufacturers and war traffickers and jingoes. They filled the very air with goblins of foreign invasion. They, with the jingo press, sent to every nook and corner of the country tons of literature of deception. They alarmed the people into the belief or fear that our country was absolutely defenseless and helpless; that we existed only by the mercy of this or that foreign nation; that we had no ships, no guns, no army, no navy, no fortifications; that every minute we were in imminent danger of foreign invasion and conquest. The Executive and Congress, taking fright, responded to the demands of a deceived and frightened people.

So instead of \$258,000,000 appropriated in a calmer and less nervous moment a year before, the administration and Congress, Democrats and Republicans, piled up preparedness appropriations, exclusive of the Mexican situation, to the amount of \$613,000,000; and the estimates for this year are \$777,000,000! In other words, there is an increase in two years over the normal \$258,000,000, which was the largest up to that time in the history of the Government, of over \$873,000,000, an average increase yearly of \$436,500,000. For last year and this year we for Army, Navy, and fortifications alone make appropriations, and must provide taxes to pay it, of \$873,000,000 more than if we had just gone along with the regular, normal program and gradual annual increase. And this big annual increase will keep up, and the big annual taxes will keep up also.

Our opponents tell us we could raise the needed revenue by a tariff. Gentlemen, it would be impossible for you to do it. There is not a man who has given study to this question, be he Republican or Democrat, that does not know it would be impossible to raise it with any kind of a tariff that you could devise—impossible to raise more than about \$400,000,000 by any kind of a tariff in normal times and not near that much now under present conditions—and you would then lack over \$350,000,000 annually, having enough to pay for preparedness appropriations alone, to say nothing of the hundreds of millions of dollars needed for other departments and functions of the Government. A member of your party, the gentleman from Iowa [Mr. Goob] last session showed the impossibility of financing the increased appropriations for preparedness by a tariff or other methods of taxation formerly adopted by the Republican Party. I wish again to impress upon the House and the country, and especially upon my Republican colleagues, the fact:

If during the four years of the Taft administration, with the Payne tariff act in force and all the other revenue measures then existing, there had been appropriated for the Army and the Navy and fortifications the same amount of appropriations that we made last session, for which you Republicans as well as most of the Democrats voted, and which we will make this session, for which you will vote, there would have been a deficit in the Treasury at the end of his administration of \$2,100,000,000.

If the Payne Act and every revenue act that was on the books under the Taft administration had remained unchanged and were on the statute books now, to finance the appropriations for Army, Navy, and fortifications of last session and of this session, we would require additional taxation of \$900,000,000, and to finance them for four years would require over \$2,000,000,000 additional taxation.

Gentlemen, you know you can not raise it by a tariff. Yes; you know it. In spite of the groundless statements in the minority report, the fact is that last year the Underwood Act, with its income-tax provision, produced and is now producing as much revenue as the Payne Act, with its corporation-tax provision, could have produced. While we produced less in customs receipts last year than the Payne Act would have produced, the difference was made good in the large excess of the income-tax receipts of the Underwood Act over the corporation-tax receipts of the Payne Act. The Payne Act corporation-tax provision would have yielded last year \$40,000,000, while the Underwood Act income-tax provision produced \$125,000,000. So, gentlemen, you would get nowhere with your Payne Act, which you ask to be restored to produce the necessary revenue, and you know it as well as I do. Every intelligent man knows that with higher duties the imports would have been obstructed and therefore reduced and the duties collected less. While our free-list articles during the war have greatly increased in importations, our dutiable articles, even under the lower rates of the Underwood Act, have decreased.

Now, just look at the facts as they are, as honest men and patriotic men, whether Republicans or Democrats, ought to do. As I have shown, it is impossible to raise by any kind of tariff the revenue required for increased preparedness. The Payne Act while in force in normal times when dutiable imports were unhindered by war raised in customs receipts only \$326,000,000 in 1910, only \$309,000,000 in 1911, \$304,000,000 in 1912, and \$312,000,000 in 1913. Even if the Payne Act would produce as much now during the war as it then did, we would lack over \$450,000,000 of having enough revenue from that source to defray the preparedness appropriations alone.

The responsibility this session, as it was last session, of presenting to Congress a bill to raise revenue sufficient to finance the huge appropriations for preparedness, for which Republicans and Democrats voted, was upon the Ways and Means Committee of the House. We knew we could not get it under any kind of a tariff. Last year we presented a bill so wise, so just, so equitable, and it so appealed to the conscience and judgment of patriotic men that for the first time in the history of revenue legislation the minority party failed in the Ways and Means Committee to get a majority of their own members to vote against the bill. Half of the Republican members of the Ways and Means Committee voted for that bill.

Forty Republicans upon the floor of the House voted for the bill, because they knew the money could not be raised by any method of taxation theretofore pursued by their party and that the bill provided for a fair and just way to get it. We are now under the absolute necessity of raising additional revenue, amounting to \$207,000,000 or more, for increased preparedness. We could have raised it out of consumption; we could have raised it out of the necessities of the people. We could possibly have raised it by a tax upon tea and coffee and beer and whisky and tobacco and pig iron and petroleum and wool and shoes and clothes and food products and hundreds of other different articles of daily consumption of the people, and it would have required a tax on all of these articles to get sufficient revenue. We could have done that, but we felt it would not be right to do it now, when the cost of living to the people, to the wage earner, to the widow and orphan, has increased so much. In these days of the high cost of living the dollar of the wage earner, of the widow and the orphan goes a shorter way than ever before. It purchases less than ever before. We felt that it would be wrong—not only wrong but inhumane—for us to levy this \$207,000,000 extra taxes upon the consumption and the necessities of the people. We could have procured it by largely increasing the income tax. But in order to raise the required amount we would have had to make the normal tax 4 per cent instead of 2 per cent. If we increased the normal tax from 2 per cent to 4 per cent, then, whether a man or a corporation made 2 per cent or 4 per cent upon his investment, or more or less, he would have to pay an income tax twice as large as he now pays. This would be a hardship on many who are making little or no net profit on investments. It would be too high. Take a \$100,000 partnership or corporation, of which I spoke awhile ago. Suppose we should try to raise the additional needed revenue by increasing the normal income tax to 4 per cent? If it made only 6 per cent, it would have to pay \$120

extra. Say it made only 4 per cent. On such increased normal tax it would have to pay \$80. But under the excess-profit tax plan it would pay nothing. Now, we felt that copartnerships and corporations, after allowing them the deduction of \$5,000 and then a deduction of a clear 8 per cent profit, could better afford to pay one-twelfth of the excess profit—that is, 8 per cent on such excess—not a big tax, to help make up this \$207,000,000, than levying an extra 2 per cent on all incomes, whether the profits were large or small.

While the cost of living is higher, while the purchasing power of the wage earner's, of the orphan's and widow's dollar is less than ever before, the profits of the profit makers are larger than ever before, and we felt that after giving them a reasonable deduction and exemption, which of themselves are a nice investment profit, it would be fairer and more just and least burdensome to make the excess profits bear the burden of this tax rather than put the burden upon the necessities of life and the consumption of the people and thus increase still higher the cost of living.

Mr. KELLEY. Will the gentleman yield?

Mr. KITCHIN. Yes; I yield to the gentleman from Michigan.

Mr. KELLEY. I think I appreciate the desire of the gentleman to make the well-to-do bear this tax; but does the gentleman think that by putting the tax on the well-to-do it will surely stay there?

Mr. KITCHIN. No; I do not think that tax will stay there on the well-to-do if the Republicans get control of Congress next time. I think they will take it off and put it on consumption and the necessities of the people. I want to say to some of the Democrats who want to vote against this bill, not because they think the bill is a bad one, but because they do not want to vote for any more taxes for increased appropriations for preparedness—that although I voted against the big fortification bill yesterday, as a number of us did, I found out then that an overwhelming majority are going to vote also for the increased appropriations for the Army and Navy demanded by the departments, and we have got to levy a tax in some way or other in order to meet them. The question is whether we Democrats shall levy a tax upon excess profits or whether we shall defeat this bill and wait until some time in the future—possibly next session, and an extra session at that—when it is possible for the Republicans, with a handful of wild preparedness Democrats, to force the burden of this tax upon the necessities of the men, women, and children of this country. [Applause on the Democratic side.]

Mr. KELLEY. Under the provisions of this act undoubtedly the packers will be obliged to pay a certain tax. Does the gentleman think that will come out of the profits of the packers or will it come across the counter when the laboring man buys his meat?

Mr. KITCHIN. I know that the gentleman asks the question sincerely. I have thought about that same thing. Of course, when we put as we do an excise or specific tax on an article, such as the \$1.10 tax on a gallon of whisky, the distiller who sells it to the retailer adds that specific tax to the price, and in turn the retailer, with some profit on the investment, will add it to the price to the consumer. If we levy a specific tax on an article, whether on whisky, tobacco, or wheat, or meat or other articles, it is added to the price of the article all the way from producer to consumer. The seller knows exactly where and how much to add. But it is more difficult to transfer an income tax, and I do not think it is done, unless the payer has a practical monopoly of the production or sale of an article. In such case he can transfer even his income tax to the consumer.

Mr. KELLEY. Take the case of the sugar refiner.

Mr. KITCHIN. But of all the different schemes of taxation the excess-profit tax, under any circumstance, would be the most difficult, almost impossible, to pass on to the consumer.

Mr. FESS. Will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. FESS. These bonds are to run for 50 years?

Mr. KITCHIN. They run not to exceed 50 years.

Mr. FESS. With the idea that there will be a better market for them?

Mr. KITCHIN. Under the Panama Canal bond act they must run for 50 years. This bill provides that the Secretary of the Treasury can make them as well as the additional \$100,000,000 authorized by the bill have a maturity less than 50 years. They bear 3 per cent, payable quarterly.

Mr. FESS. What about the denomination?

Mr. KITCHIN. That is left to the Secretary of the Treasury.

Mr. FESS. What about the market value?

Mr. KITCHIN. They must be sold at not less than par or face value.

Mr. FESS. The gentleman has no idea what the bonds would sell for? The bonds of 1894 are quoted at 117.

Mr. KITCHIN. Such bonds as you mention could be used to secure national bank circulation or as security for Government deposits, and this added to the value of them.

Mr. FESS. These bonds are not security for national banks?

Mr. KITCHIN. These bonds would not be security for the circulation of national banks.

Mr. JAMES. Will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. JAMES. Section 201 provides:

That in addition to the taxes under existing laws there shall be levied, assessed, collected, and paid for each taxable year upon the net income of every corporation and partnership organized, authorized, or existing under the laws of the United States, or of any State, Territory, or District thereof, no matter how created or organized, excepting income derived from the business of life, health, and accident insurance combined in one policy issued on the weekly premium payment plan, a tax of 8 per cent, etc.

Has the gentleman thought about the application of that to the building-loan associations?

Mr. KITCHIN. The same kind of insurance companies and building and loan associations that are exempt under the present income-tax law are exempted in the pending bill, and the exemption includes the associations to which the gentleman refers.

Mr. AUSTIN. Will the gentleman yield?

Mr. KITCHIN. Certainly.

Mr. AUSTIN. Is it not a fact that when we discussed the last revenue bill in this House, the Speaker, the gentleman from Missouri [Mr. CLARK], stated that he could take the tariff schedule and write a tariff bill that would produce twice the amount we are now receiving at the customhouse?

Mr. KITCHIN. That is what he said but was referring to normal times, when dutiable imports are unobstructed by war. That is what I said to-day, in normal times.

Mr. AUSTIN. Did the Speaker refer to normal times?

Mr. KITCHIN. We understood that on account of the war the tariff then was not, and is not now, producing the normal amount. We are now receiving only about \$200,000,000 annually. What I understood him to mean was that by a tariff in normal times we could raise about \$400,000,000 and that was the limit. I have to-day taken the same position. As I said a while ago you could do it in normal times but you would have to abandon the Republican policy of the free list, you would have to abandon the Democratic policy of the free list, you would have to tax tea and coffee and hundreds of articles carried on the free list under both Republican and Democratic tariffs alike and would have to increase the duties on manufactured products immensely, in some cases over the Payne or Dingley or Underwood Acts in order to produce the \$400,000,000.

I was in hopes that the gentlemen on the Republican side could join in with the Democrats here and put this bill upon the statute books by a nonpartisan vote, as the fair and equitable thing to do. But from the questions that have been put to me I am certain that they do not want to help us raise any additional revenue, though they vote for and admit its necessity. I hope every Democrat will understand exactly what they are after. They are after forcing this country back into a high protective tariff policy. I hope that no Democrat by his vote on this bill will give them encouragement in that effort. [Applause.]

Gentlemen, this is not a political question. You can make all the politics out of it you want, but when you stand in the face of the facts—in face of the necessity of financing these tremendous appropriations for which you on both sides of the aisle voted, and for which the administration stands sponsor also, and when you consider the impossibility of raising anything like the required amount by a tariff, it is up to you—up to you Democrats, up to you Republicans, to say whether we ought to get it out of the exorbitant excess profits of the profit makers, or whether we should levy it upon the necessities of life and the consumption of the people. Gentlemen, that is the question with which you are face to face. How are you going to vote? [Loud applause on Democratic side.]

Mr. FORDNEY. Mr. Chairman and gentlemen, for 2 hours and 10 minutes we have listened to some very interesting polite vaudeville. Note what the gentleman from North Carolina [Mr. KITCHIN] has said, and then read what the CONGRESSIONAL RECORD will print as his speech, for if we can judge correctly from past experience there will be but little resemblance between the two.

I am going to confine myself for a few moments to some notes I have made, and then I shall cut loose from and endeavor to explain some of the things from a Republican standpoint that have been presented by the gentleman from North Carolina.

Since the enactment of the inefficient tariff act of October 3, 1913, this is the fourth so-called emergency revenue measure to be forced through Congress. It is interesting and instructive, in the consideration of this bill, to go back and refresh our memories in regard to the other three revenue bills and to review the reasons given by Members on the Democratic side of the House for their enactment.

The first was the so-called war tax or stamp tax of October 22, 1914, and the reason then given for the deficiency in revenue receipts was that the war in Europe was causing a loss of imports and customs receipts. The President came into this Chamber on September 4, 1914, and pointed with alarm to the fact that customs receipts for the month of August, 1914, were \$10,000,000 less than in August, 1913. He said the loss was due almost entirely to the war in Europe and not to a change in our tariff laws. Customs receipts for August, 1914, were approximately \$19,000,000, while during August, 1913, which, he neglected to tell us, was under a Republican tariff law, customs receipts exceeded \$30,000,000. But August, 1914, was not the first month that a loss in customs receipts was in evidence. In February, five months prior to the war and when no one believed such a war possible, customs receipts were but \$17,000,000. Why did not this alarm the President? It was \$2,000,000 less than the month of August that caused him such anxiety. For eight months prior to the war customs receipts averaged but \$22,200,000 per month, while the month of August, 1913, which the President evidently assumed to be a normal month, showed receipts amounting to \$30,934,000 from import duties. There is every evidence that the cause for the decline in customs receipts existed months before the war was thought of. It was the Underwood tariff law. That inefficient law, my friends, was the cause of the loss of customs receipts, and the war in Europe was but an excuse for the imposition of that objectionable so-called war tax in the time of peace.

The second revenue bill provided for the reenactment of the stamp tax. It followed the first by some 16 months, and the reason given by the Democrats for its necessity was the continuation of the war in Europe.

The third member of the ever-increasing family of direct taxes was the revenue measure of September 8, 1916. It could hardly be blamed on a loss of imports, for imports during the calendar year of 1916 were over half a billion dollars greater than any previous year in our history. The reason given for that tax was the increased expenditures for the Army and Navy. The report on the bill reads in part as follows:

It is therefore deemed proper that in meeting the extraordinary expenditures for the Army and Navy our revenue system should be more evenly and equitably balanced and a larger portion of our necessary revenues collected from the incomes and inheritances of those deriving the most benefit and protection from the Government.

Now comes the fourth emergency revenue measure, so closely related to the other three. In asking for its passage the Democratic members of the Ways and Means Committee in their report show the increased appropriations for the Army and Navy, fortifications, and so forth, for the years 1917 and 1918 over the year 1916. This new revenue measure is to provide money for all the increased expenditures. However, have they forgotten that the act of September 8, 1916, was to provide for the very same thing? It leads us to wonder if the proceeds of the act of September 8, 1916, were not used for something besides the Army and Navy. And will the proceeds of this act be used for something other than Army and Navy expenditures?

It is indeed hard to believe that the majority Members of this House do not know that the Underwood tariff law is not producing sufficient revenue for the operation of the Government. Fifty million dollars additional customs receipts could be raised on sugar and wool. During the calendar year ending December 31, 1916, \$1,611,952,000 worth of imports were admitted free of duty, while but \$779,763,697 were on the dutiable list.

The fulfillment of campaign pledges is an old-time, threadbare boast of the Democratic Party. The following is a pledge in the Democratic platform of 1916:

We reaffirm our belief in the doctrine of a tariff for the purpose of providing sufficient revenue for the operation of the Government economically administered and unreservedly indorse the Underwood tariff law as truly exemplifying that doctrine.

If the Democratic Party is sincere in this pledge, why resort to these objectionable and ever-increasing direct-tax measures?

This is the fourth emergency revenue measure in less than two and one-half years. If Democrats are going to enact these laws more frequently than one a year, why worry about expenditures for more than a year at a time. In the report on this bill reference is made to the increased appropriations for the Army and Navy for this year and next year. It appears to me that if the increased appropriations for but one year had

been taken, it would not warrant the enormous additional amount of revenue which this bill proposes to collect.

The framers of the so-called excess-profit tax seek to justify the tax on the ground that any firm making more than 8 per cent on the capital invested can well bear additional taxation. I have in mind some firms that have had some pretty lean years. They are in debt and are not very hopeful for the period to follow the ending of the war in Europe. These firms will pay no dividends this year, but will pay this excess-profit tax. I believe there are many firms not on a sound financial basis that will be hit by this proposed law.

However, the greatest objection to this tax is not that it is oppressive, but that it is an additional attempt on the part of the administration to repudiate the policy of a tariff for protection. It is a refusal to recognize the revenue-raising possibilities of an adequate tariff law. It is a refusal to aid American industries in meeting changed conditions throughout the world that will follow the war in Europe. It is a declaration by Congress that American labor and American manufacturers must face ruinous competition from abroad without adequate tariff protection. It means a return of conditions that prevailed in this country prior to the war in Europe. It means business depression, financial failures, and men out of employment.

In the preparation of the bill advice and suggestions from Republicans was neither sought nor considered. Republican members of the Ways and Means Committee were given no opportunity to formally confer with the majority members, and Republicans should decline to accept the responsibility for the bill.

On account of the wonderful industrial activity throughout the world, occasioned by the war in Europe, manufacturing establishments in America have prospered and progressed in spite of adverse legislation. The progress will continue until the ending of hostilities in Europe. When peace does come, I believe America will awaken to very changed conditions throughout the world. Europe will have but little to buy from us and much to sell. Keen competition will exist and the struggle for commercial and industrial supremacy may find America woefully unprepared. Men who now seek to heap all the taxes upon industry will then realize the mistakes now being made. It will be argued that this is a tax on the rich; that it is a tax on excess profits. But, whatever it may be called, it is a direct tax, and will be reflected to some extent upon the cost of living. America needs a protective tariff to meet conditions after the war, and it is hard for me to conceive that our Democratic friends do not realize this fact. Since coming into office it has been their chief aim to repudiate the policy of protection. Additional revenue can be raised with ease by means of an adequate tariff law. The real big objection to this revenue bill is that it is a further attempt on the part of the party in power to repudiate the policy of protection. They ignore the revenue-raising possibilities of a tariff law. It is a refusal to consider the question of industrial preparedness to meet after-war conditions. Their refusal to consider the question of increasing tariff rates, whether they choose to call it for revenue or for protection, or both, is very menacing to American prosperity. The platforms of the Republican and Progressive Parties contained pledges for the establishment of an adequate tariff law. I am so convinced as to the correctness of our tariff policy that I believe it our duty to fight for it whenever opportunity is offered.

Mr. Chairman, a statement was made in error this morning about the amount of bonds to be issued by this administration. The gentleman from North Carolina stated that there are \$220,000,000 of Panama bonds yet unissued. The fact is, the Treasury statement which I received this morning, giving the condition of the Treasury at the close of business on Saturday night last, shows that \$240,569,000 of Panama Government bonds remain yet unsold.

Mr. HELVERING. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. HELVERING. Of course, the statement was made to the gentleman yesterday as to that proposition that a certain amount of these had been set aside to meet expenses of the Postal Savings act, which reduced the amount to two hundred and twenty-one million and odd dollars.

Mr. FORDNEY. I beg the gentleman's pardon, but those bonds have not been sold. If so, your Treasury statement is false, because it says those bonds were yet unsold on Saturday night.

Mr. HELVERING. Not sold.

Mr. FORDNEY. Then why do you say that those \$22,000,000 have been disposed of?

Mr. HELVERING. I said they had been set aside to be disposed of for that purpose.

Mr. FORDNEY. But they have not been set aside, and they ought not to be set aside for that purpose. Those bonds were issued to be sold for the purpose of raising revenue to construct the Panama Canal.

Mr. MOORE of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. In just a minute. Under a Republican administration, prior to the 4th of March, 1913, \$165,820,000 was paid out of the general funds of the Treasury on account of the Panama Canal; \$134,000,000 of Panama bonds were sold, on which \$138,600,000 was received. Since March 4, 1913, the Democratic administration has expended \$106,300,000 for this account, which makes a total to date of \$410,720,000 spent on the Panama Canal. Further, when the Republican Party went out of power upon the 3d day of March, 1913, and turned over the Treasury to the Democrats there was \$126,664,000 in the Treasury over and above all liabilities of the Government, including in the liabilities all money on hand to redeem national-bank notes. You have not spent as much money on the Panama Canal as we left you in the Treasury; and, moreover, the Treasury statement of Saturday night shows \$112,000,000 of liabilities in the Treasury, not including warrants outstanding in the hands of disbursing officers amounting to \$74,375,000 and \$51,301,000 on deposit to redeem national-bank notes and the outstanding Treasurer's checks, which vary from three to eight million dollars. These items are not real assets, but are liabilities. Using the same method of bookkeeping employed to show the balance of \$126,664,000 on the 3d day of March, 1913, would show the total liabilities of the Treasury on Saturday last to be \$242,989,000, with total assets on hand of but \$205,000,000 to meet those liabilities. Therefore, on Saturday night you had a deficit of \$37,109,000, and in addition to that you have expended the money we left you. You are getting along fine with your finances, are you not?

Mr. MOORE of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. I do.

Mr. MOORE of Pennsylvania. Does the gentleman object to having the gentleman from Kansas [Mr. HELVERING] state for what purpose the \$22,000,000 of Panama Canal bonds were set aside?

Mr. FORDNEY. I would be very glad to have the gentleman state what they were set aside for.

Mr. HELVERING. The gentleman contends there are \$240,000,000 of Panama Canal bonds which the statement shows have not been sold. I simply rose to say that that amount was not available, and the amount carried in the report is \$220,000,000, because some of this money is intended to be used for the purpose of carrying forward the postal savings act which we enacted in the last Congress. That is the statement made to the committee by the Secretary of the Treasury.

Mr. SMITH of Michigan. There were only \$9,000,000 set aside for that purpose.

Mr. FORDNEY. No matter whether it is \$9,000,000 or \$22,000,000, it is money that the Democrats owe, and they will not be able to pay it until bonds are sold. It is a Democratic ailment, however. They never have been in power for the last 55 years that they did not issue Government bonds, and not to pay for some permanent improvement but to pay the ordinary running expenses of the Government. [Applause on the Republican side.]

Mr. FARR. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. FARR. The Chairman of the Committee on Ways and Means [Mr. KITCHIN] made the statement that if the Republican Party had been in power, under its policies of protection, there would be at this time a deficit in the Treasury of about two billions of dollars. Will the gentleman state how under Republican policies we would have gotten the revenues even to meet the additional expenses for preparedness?

Mr. FORDNEY. I will. The average ad valorem rate of duty collected during the last calendar year under the Underwood tariff law was 9½ per cent on all imports, dutiable and free. The average ad valorem rate during the entire life of the Payne tariff law was 19½ per cent, or about two and one-half points below the ad valorem rates in the Wilson Democratic tariff law, about which we complain so much.

And yet it has been said by our Democratic friends that the rates in the Payne tariff law were excessively high. During this last calendar year, in answer to the gentleman's question, our imports were \$2,391,716,000. If the Payne rate had been in

effect during the calendar year 1916—an average ad valorem of 19½ per cent—there would have been placed in the Treasury of the United States as customs dues on those goods \$467,940,000, which is \$250,851,000 more than the amount collected under the Underwood tariff law. [Applause on the Republican side.]

Mr. HELVERING. Will the gentleman yield?

Mr. FORDNEY. Yes, sir.

Mr. HELVERING. I want to ask for information. Is that figured upon the rates that applied under the Payne-Aldrich law upon the articles imported and the rates they bore?

Mr. FORDNEY. It is the average ad valorem rate during the entire life of the Payne tariff law, four years or thereabouts.

Mr. HELVERING. But as a matter of fact the articles bearing a higher rate of duty have not been imported during the last year. Is not that true?

Mr. FORDNEY. Oh, yes; they were imported; I beg the gentleman's pardon, and in addition let me say that in the calendar year 1916 our imports were \$571,000,000 greater than any previous year in the history of the Republic, notwithstanding the fact that the war is on in Europe and none of those products came from the central powers of Europe.

Mr. WM. ELZA WILLIAMS. Will the gentleman yield?

Mr. FORDNEY. I will.

Mr. WM. ELZA WILLIAMS. What proportion of the \$571,000,000 was dutiable under the Payne-Aldrich bill?

Mr. FORDNEY. About 51 per cent under the Payne law and 69 and a fraction under the Underwood tariff law. The gentleman from North Carolina [Mr. KITCHIN] a few moments ago said in his speech that everything in the Underwood tariff law that is on the free list was on the free list in the Payne tariff law. He is in error. There were at least 500 items in the Payne tariff law on the protected list that were put upon the free list in the Underwood tariff law, and but very few items on the protected list in the Underwood law were on the free list during the life of the Payne tariff law.

Now, the gentleman said a few moments ago, in answer to a question presented by my beloved friend, the gentleman from Ohio [Mr. FESS], that increased duties on imports would add to the cost of the article to the consumer. Time has proven that the gentleman is in error. Every time that by a protective tariff law we have established and fostered an industry in this country producing an article that comes in competition with foreign imports, it has proven that keen competition at home lowers the price of that article in our own markets. [Applause on the Republican side.] As an illustration, when the McKinley law put a duty upon tin our Democratic friends in a vague proposition fitted out hucksters in the States of Ohio, Indiana, and southern Michigan and sent them over the country to buy the farmers' products, butter and eggs, and exchange for them tin products, and when the price of the article made of tin was presented to the housewife, in holy horror she said, "Why, you are asking twice what I paid for the article heretofore. What is the reason?" The reply was, "Why, the McKinley tariff law did it." Democrats did this to deceive the people and succeeded.

Mr. EMERSON. Will the gentleman yield?

Mr. FORDNEY. I will.

Mr. EMERSON. That is the way President McKinley was defeated, I understand?

Mr. FORDNEY. That is the way President McKinley was defeated for Congress just after the enactment of the McKinley tariff law. Now, the fact is, and I know it and you know it, and every honest man will admit it, from the very day that we placed upon our statute books the McKinley tariff law, fostering that industry in the United States, the price of tin has gone down [applause on the Republican side], and under normal conditions, before the war in Europe, the price of tin in this country was not more than half what it was before the enactment of the McKinley tariff law.

Mr. FESS. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. I will be glad to do so.

Mr. FESS. Is it not also a fact that instead of buying tin from Europe we have become exporters of tin?

Mr. FORDNEY. Yes, sir; and we have now become a great manufacturing country in tin and we have exported tin ever since. There is one proof that the gentleman's statement is in error. Another statement: Before we began the production of steel rails in the United States the railroads of the State of Michigan paid \$110 per ton for steel rails imported from Europe. To-day there is a uniform price—and it has been kept uniform for years—of from \$26 to \$28 a ton, which yields a handsome profit to the steel mills producing it. It does not make any difference what article—the gentleman said the clothing of England was not taxed. The article in common use by the people he intimated was not taxed. We now have abnormal conditions owing to the war. Prior to the war in Europe England had

four-tenths of 1 cent per pound duty on sugar. To-day the English Government imposes 3 cents a pound on imported sugar going into England. What is this? A war tax, of course it is; but prior to the war in Europe, gentlemen, although the Republican Party, as one of its cardinal principles, was never to put a tax upon any noncompetitive product, Great Britain, Canada, and France have had import duties on coffee of from 8 to 10 cents a pound, green, and 14 cents a pound when roasted, and 10 cents a pound on tea. The Republican Party never imposed a duty on tea or coffee except as a war measure during the Civil War and shortly after. The Tariff Board's report, in answer to the gentleman about clothing, showed that on the grades of woolen goods which they ran down and purchased in England, 16 samples of woolen goods, of medium grade, out of which clothing is made for the common people of this country, they found a duty under the Dingley and Payne tariff laws of 184 per cent ad valorem. The board purchased those samples, 16 in number, and brought them into this country, and found upon paying the duty those goods cost them \$1.18 a pound in the cloth.

But they found that the protective tariff on that article had so fostered the industry in this country that we were not only producing all those goods that we consumed in this country, but actually exporting some, and this grade of cloth was sold for 69 cents a pound instead of \$1.18 a pound, which would have been the price had they been imported and sold at their imported cost duty paid.

Mr. BUTLER. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. BUTLER. I thank the gentleman very much. I remember the answer which the gentleman made to the question propounded to him by my colleague from Pennsylvania [Mr. FARR]. May I ask the gentleman to pursue that very interesting answer a little further? How could we, if the Republican Party had been in power, have provided the revenue that was necessary to take care of these large expenditures which this Congress has made?

Mr. FORDNEY. I will answer that in this way: Taking the imports as they have come under the Underwood tariff law during the war in Europe—and the war in Europe has given us a greater protective tariff wall than was ever enacted by the Republican Party—in most articles of competition to-day we need no tariff at all. The prices are so abnormally high that our institutions need no protection while the war in Europe lasts. What you and I must guard against are conditions that will prevail after this war is over. And had we the Payne rates of duties in force and effect since the war in Europe, we would have had in round numbers \$500,000,000 more in customs dues. [Applause.] If we had collected that much money from customs receipts we would have no necessity for this painful, unjust, and discriminating tax upon a few of the people.

Mr. WM. ELZA WILLIAMS. May I ask the gentleman a question just there?

Mr. FORDNEY. Yes, sir.

Mr. WM. ELZA WILLIAMS. How do you arrive at that \$500,000,000?

Mr. FORDNEY. The difference between the ad valorem rates under the Underwood law and the average ad valorem rates collected under the Payne tariff law. If you take the imports and multiply by the average ad valorem duty collected under the Payne law it will give you those amounts, or thereabouts.

Mr. WM. ELZA WILLIAMS. I understood the gentleman to say that of this \$571,000,000 excess under the Payne-Aldrich bill 51 per cent were on the free list. That would leave about \$285,000,000 of dutiable goods, and at an average rate of something like 38 cents that would be about \$100,000,000 annually. The war has been running two years, and how would you raise—

Mr. FORDNEY. On the imports of last year with the Payne rate of duty we would have collected, as I stated a few moments ago, \$248,794,000 in addition to the amount that was collected, namely, \$217,000,000.

Mr. WM. ELZA WILLIAMS. I understood your statement, but I could not understand on what you base it.

Mr. FORDNEY. Here are \$248,000,000 in 12 months. Your tariff law has been in operation over three years. Three years like the last one would mean a considerable amount of additional revenue.

Mr. WM. ELZA WILLIAMS. Just one more question. But you assume, do you not, that the same goods would have come in in the same proportion and the higher rates would have been paid on these goods?

Mr. FORDNEY. During the war, my good friend, I do not believe there would be any difference in our imports. Under normal times certainly I would expect that not so many imports would come in had we had the Payne tariff rates upon our

statute books, but the war has brought about abnormal conditions all over the world. For instance, wool, that paid 11 cents a pound under the Payne tariff law, is now on the free list.

Mr. WM. ELZA WILLIAMS. I understand the gentleman that these abnormal conditions have shut out that class of goods that paid the highest tariff, and how can the gentleman reason that we would have gained an excess of \$300,000,000 a year, or a total of \$500,000,000 since the war commenced?

Mr. FORDNEY. You have a war, my friend. I am talking about how much money you would have collected during the life of this Underwood bill because of the war in Europe, and not what will happen after the war is over. Now is the time we are talking about and not the future. I do say, and I believe, and I am firmly of that belief, that in normal times the protective tariff does exclude from our market many cheaply made goods from Europe.

Mr. MOORE of Pennsylvania. Mr. Chairman—

The CHAIRMAN. Does the gentleman from Michigan yield to the gentleman from Pennsylvania?

Mr. FORDNEY. I do.

Mr. MOORE of Pennsylvania. Did not the Democrats in passing the Underwood law declare long before the war that they intended to cut the customs revenues more than \$100,000,000 a year?

Mr. FORDNEY. Oh, yes.

Mr. MOORE of Pennsylvania. And is it not true that the imports have been increasing constantly since the war?

Mr. FORDNEY. Yes. The \$100,000,000 referred to was based on the importations under the Payne tariff law, not the imports under this Democratic tariff law. I say that if under this Underwood tariff law during this time we had collected the Payne tariff rates, we would have collected in round numbers \$500,000,000 more than we have collected, and the figures prove it.

Mr. BUTLER. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. BUTLER. If the gentleman will permit me, I am not down here for merriment or buffoonery at all; I am here to vote for some sort of a measure that will enable us to make good that which is wrong in the Treasury. Has the gentleman in his mind the figure that this extra preparedness has occasioned?

Mr. FORDNEY. I have, yes; in a way.

Mr. BUTLER. And if we had been economical and had avoided these other extreme exactions upon the Treasury, could we not have paid under our ordinary revenue and customs for this extra preparation?

Mr. FORDNEY. Yes, sir. Let me call the gentleman's attention to the extraordinary expenditures which are unnecessary, in my opinion.

Mr. BUTLER. Very well. I wish you would.

Mr. FORDNEY. Our Democratic friends have passed through this House a bill for an armor-plate plant and authorized an appropriation of \$11,000,000.

Mr. BUTLER. And I am creditably informed by men who ought to know that that proposal would cost nearly \$20,000,000.

Mr. FORDNEY. Oh, there is no doubt of it. Now, my friend, that item is not necessary at this time, for this reason: It was shown on the floor of this House last year, and was clearly presented by my colleague from Michigan [Mr. KELLEY], that there are three armor-plate plants in the United States, the capacity of which is 32,000 tons of armor plate per year. We have consumed for many years past an average of about 10,000 tons of armor plate, so that the armor-plate plants in the hands of private corporations in this country are ample in capacity to supply us three times the amount of armor plate that we have been using.

It has been further shown that the Government of the United States has purchased its armor plate cheaper than any country in the world. Further than that, the owners of those plants say to the Government, "Do not build your Government plant, but come here and make a thorough examination of our costs, and we will accept the price that any commission fixes that you may send here, and furnish the armor plate at that rate per ton." Therefore, I say there is absolutely no necessity for this \$11,000,000 appropriation.

Again, a nitrate plant at \$20,000,000, to make fertilizer for the southern farmer, and nothing else under God's heaven—it is absolute folly to talk about anything else; that is what it will do, and nothing else. That is \$20,000,000 more that is absolutely unnecessary.

Further, our Democratic friends have passed a ship-purchase bill under which they propose to spend \$50,000,000 to establish a merchant marine on the high seas.

Briefly let me tell you how absolutely foolish, silly, and nonsensical such a proposition is at this time. I can prove it to you, in my opinion—to my own satisfaction, at least. I know of two steamships, both English built. One was brought in under the American flag bearing my name, the *Joseph W. Fordney*. It cost \$238,000 about 12 years ago. Some 60 days ago that ship was sold for \$1,000,000 cash. I am sorry I had no interest in it. [Laughter.] The other, the *Robert Dollar*, another English-built ship, cost a like sum of approximately \$238,000, and it was sold in March, 1916—10 years old, mind you—for \$1,300,000 cash to an English firm.

Mr. Cramp, of the great shipbuilding concern of Philadelphia, several years ago before the Committee on the Merchant Marine and Fisheries, when I was a member of that committee, made this statement, that in the construction of a ship in this country nine-tenths of her total cost was labor and 10 per cent raw material. In fact, gentleman, at least 90 per cent of the total cost of any manufactured article in America is labor.

Now, how about our labor in this country and abroad? Last fall I obtained from American consuls statements of the wages of skilled labor in England, France, and Japan, and as to the United States I got the information directly from the shipyards here, and this is what I found: Day wages of skilled labor in England last year, mind you, was \$9 a week, and when working by piecework, \$11.13. In the shipyards of Japan, owing to the activities of the shipyards there, wages had recently been advanced 10 per cent, and in December, 1916, Japanese skilled labor in their shipyards received 70 sen per day, or 34.9 cents in gold. In the United States our skilled labor received \$18 a week, or \$22.50 per week when working at piecework—double the wages in England, and ten times as great as in Japan.

Now, when 90 per cent of the cost of the construction of a ship is labor, and our labor cost is double that of any labor in any country in the world, how can we build ships and compete with the people across the sea?

In addition to that, gentlemen, under our marine laws the officers of our ships under the American flag, both in the coastwise and the foreign trade, must be citizens of the United States. We can go into any other country in the world and employ the balance of our labor, as every other country in the world permits the owners of their ships to do, except that when England pays an admiralty subsidy their officers must then be citizens of England. But our American citizens as officers on board those ships will not work with the foreigners unless the foreigners get the American scale of wages. I have in mind three ships, gentlemen, the *Robert Dollar*, the *Masama Maru*, and another whose name I have forgotten, all owned by the Dollar Steamship Co. The horsepower of the ship measures the expense to a greater extent than the actual gross tonnage, and in these three ships the horsepower was almost identically the same, all about 410 horsepower, and the annual labor cost of the ship under the English flag as compared with the ship under the American flag was \$23,800 a year for the English ship less than the ship under the American flag, and the annual labor cost of the Japanese ship under the Japanese flag \$29,700 less than the ship under the American flag.

Now, taking into consideration the difference between our cost of construction and our labor cost and operating cost, and the fact that nearly every country in this world pays a subsidy to its ships except the United States, it is absolute folly to think that an American citizen can engage in foreign shipping and compete with any country in the world. [Applause on the Republican side.] Therefore, gentlemen, the \$50,000,000 that you propose to spend in this ship-purchase bill is absolutely thrown away.

In addition to that there is another unnecessary expenditure—

Mr. FESS. Mr. Chairman, will the gentleman yield right there?

Mr. FORDNEY. Yes.

Mr. FESS. What is the practical effect? Where can we buy any ships and where can we build any ships just now?

Mr. FORDNEY. I have demonstrated to you that if you go into the markets of the world and buy ships you will pay four or five times the price that they would sell for in normal times. I have shown that by demonstrating to you that one ship was sold for a million dollars which cost \$238,000, and another ship, which cost about the same amount, \$238,000, was sold for \$1,300,000, and she was 10 years old.

Now, under those circumstances do you believe it is practicable—do you believe that sane, sensible men will go into the markets of the world and attempt to buy ships now to establish a merchant marine to compete with the Japanese and other foreigners?

Mr. FESS. That is out of the question. Where can we build them?

Mr. FORDNEY. We can build them at home at an additional cost over normal times and at an additional cost even in normal times.

Mr. FESS. Are not all the American shipyards crowded now?

Mr. FORDNEY. I believe they are.

Now, further than that, gentlemen, here is \$162,000,000 spent on the Mexican border to catch Villa; and did they catch him? No. I believe there were plenty of regular troops to patrol the border, without sending our State Militia down there and spending this \$162,000,000. [Applause.] But with your slogan that you kept us out of war, with this \$162,000,000, and the money raised by the Democratic Party, you elected a President.

Mr. DENISON. Will the gentleman yield for a further question?

Mr. FORDNEY. Yes.

Mr. DENISON. This question is suggested by the one propounded by my colleague from Illinois [Mr. WM. ELZA WILLIAMS]. The gentleman from Michigan has stated the additional revenues that would have been collected under the Payne-Aldrich rates.

Mr. FORDNEY. Yes.

Mr. DENISON. I want to ask the gentleman, in arriving at those figures that he gave a while ago, did he consider the actual imports that have come into the country during the last two years and the actual rates under the Payne-Aldrich bill?

Mr. FORDNEY. I took the actual imports under the Underwood tariff law and the amount collected under the Underwood tariff law, and then, applying the average rates under the Payne-Aldrich tariff, 19½ per cent, showed the difference that would be collected between the two laws. There is no question about the correctness of that.

Now, let me tell you another thing. The gentleman said, "How would we raise this money to meet this extraordinary situation?" I will tell you how we would raise it if you left it to us. We would adopt a reasonable, correct, equitable, protective tariff, the best that men's judgment could frame, and then, for this extraordinary expenditure in our Navy, we would undoubtedly issue bonds for that. [Applause on the Republican side.] That is what we would have done; and when we built the Panama Canal it was intended it should be built out of the proceeds of the sale of bonds, because our children and grandchildren and great-grandchildren will enjoy the Panama Canal, and it is only reasonable that bonds should be issued for the construction of that canal. If those things I have mentioned were paid out of the proceeds of bonds, a protective-tariff law would yield you more money than is necessary for all those other extravagances that you have put upon the people. Now, let me tell you something, gentlemen. I am not revealing any secrets. If it is within the power of the Republican Party, and I believe it is, within the next three or four weeks, by the best judgment of men on our side of the House, we will present to this House a protective-tariff measure for your consideration. [Applause on the Republican side.] We can not prepare it as scientifically as we could if we had extended hearings and got the exact existing conditions on many articles on which the rate of duty ought to be changed, but we can get somewhere near the correct rate of duty on imports, and if it is in our power to prepare it and present it in time we can show you that it would raise a sum in addition to what you are raising sufficient to meet all these normal expenses of the Government. I am ready to work overtime to help prepare that bill, and I know there are many gentlemen on that side of the House who would rather vote for a bill of that kind to-day or to-morrow than for the bill now before the House.

Let me say another thing. Just before the election in November last, on the second Thursday before election, the President of the United States was quoted as saying in a speech at Cincinnati that the great increase in our foreign commerce was due to the war to the extent of not to exceed 1 per cent. That is what he is quoted as saying.

Mr. LONGWORTH. If the gentleman will permit, it was 4 per cent.

Mr. FORDNEY. In the paper from which I took the report he said 1 per cent.

Mr. LONGWORTH. Well, that is only a little worse.

Mr. FORDNEY. Here are the exports, a few of them, which went to the battle fields of Europe in large quantities. This list includes food, clothing, equipment, ammunition, and so forth. The increases in exportation of the same was due to the war.

Aluminum, we sold the last year of peace, 1913, \$966,000 worth. During the calendar year 1916 we exported \$14,100,000 worth.

Was that not for the battle fields? Where are they using aluminum in Europe if it is not in the manufacture of articles for war?

Aeroplanes, we exported in the last year of peace, \$86,000, and last year \$4,000,000.

Automobiles, \$27,000,000 the last year of peace, and last year \$121,600,000.

Brass and manufactures thereof, going into ammunition, \$7,900,000 the last year of peace and \$315,000,000 this last year. That went to the battle fields, did it not?

Breadstuffs, the average exports from this country for a number of years prior to the war were \$203,000,000 per annum, but last year they were \$463,000,000. The war had something to do with those exports, had it not?

Cars for railways, chiefly to Russia, \$5,400,000 in the last year of peace, and in 1916, \$23,000,000.

Chemicals, largely used in making explosives, \$26,700,000 in the last year of peace and \$165,000,000 now.

Copper, \$143,000,000 before the war and \$226,000,000 now.

Explosives—which are not articles of household use in Europe—\$5,500,000 during the last year before the war, and in 1916, \$721,000,000, or nearly 14 per cent of all our exports, when our good President said that all of the things that went to the battle fields of Europe amounted to but 1 per cent. Nearly 14 per cent of all our exports were explosives last year. He knew better or he did not know. He got his figures from the Secretary of Commerce, a Democrat, I suppose.

Mr. LONGWORTH. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. LONGWORTH. I merely wanted to ask him to explain what proportion of our total exports were made up of that list of articles?

Mr. FORDNEY. When I conclude the items I am going to state that.

Horses and mules, \$5,000,000 in the last year of peace and \$89,000,000 last year.

Sugar, \$1,800,000 before the war and \$96,000,000 now. Before the war England purchased her sugar from Germany; she buys it here now.

Meat and dairy products, \$160,000,000 before the war and \$307,000,000 now. Do you not think the war had something to do with that?

Leather, \$59,000,000 before the war and \$157,000,000 now.

Mr. WM. ELZA WILLIAMS. The gentleman has stated in substance what President Wilson is reported to have said. Can the gentleman state his exact words and quote the words that the President used in the speech referred to?

Mr. FORDNEY. Not without the paper; but that is the substance of it—that but 1 per cent of our great foreign commerce was due to the war in Europe.

Mr. WM. ELZA WILLIAMS. I question the accuracy of the gentleman's information. I do not remember it that way, by any means.

Mr. GOODWIN of Arkansas. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. GOODWIN of Arkansas. The gentleman said he read the speech in a paper which quoted the President as saying 1 per cent.

Mr. FORDNEY. One per cent—that was in the Detroit Free Press.

Mr. GOODWIN of Arkansas. And the gentleman from Ohio [Mr. LONGWORTH] said he saw where it was stated at 4 per cent.

Mr. FORDNEY. Yes.

Mr. GOODWIN of Arkansas. Now, the gentleman says that the correct figures are 14 per cent.

Mr. FORDNEY. Oh, no; I beg the gentleman's pardon. I said the explosives alone were 14 per cent. The gentleman can not throw me off the track that way.

Now, of cotton manufactures before the war the exports were \$55,000,000; now they are \$127,000,000.

Woolen manufactures, the normal year and the average for many years before the war were \$4,500,000; now, \$39,100,000. By the way, in the calendar year 1915 our exports of woolen goods were \$54,000,000, or \$15,000,000 more than last year.

Zinc and its manufactures before the war, \$1,100,000; now, \$59,500,000.

Now, listen: Iron and steel, much of which went abroad as shrapnel, cannon, and guns, and all other kinds of munitions, steel explosives, amounted to \$893,849,000 last year, and the last year of peace, \$221,000,000. And yet the President talks about 1 per cent of the total!

Of these articles, 17 in number that I have mentioned, the last year before the war we exported \$1,002,000,000 worth; for the calendar year of 1916 we exported \$3,779,000,000 worth, an excess over the last year of peace of \$2,776,958,000, or over 66

per cent of all of our imports. [Applause on the Republican side.] And yet in all other exports there has been a falling off. How near was the President right?

Now, gentlemen, I have taken up altogether too much time.

Mr. FESS. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. FESS. I have just sent for the Cincinnati Enquirer reporting the President's speech in the latter part of October. I am sure he said 1 per cent, for I took issue with him the next day. I want to state that the word, as I recall it, was "munitions," and as it excluded all other war exports except the munitions he probably was correct, for munitions would be firearms, guns, powder, explosives, not including dynamite.

Mr. FORDNEY. Why, the explosives alone exported were \$720,000,000 out of a total of \$3,700,000,000—more than 13 per cent in explosives alone. That does not include all articles of warfare.

Mr. LONGWORTH. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. LONGWORTH. I want to say that I read the statement in the Cincinnati Enquirer, and it said 1 per cent. That seemed so impossible that I asked a number of gentlemen who heard the speech, and they told me that the President said 4 per cent of all the exports, munitions, and so forth.

Mr. FESS. What I wanted to make plain was that the statement was entirely misleading to the American public, because we have not been talking about munitions, but war orders; and he excludes nine of the classes when he confines it to munitions. I think, with all due respect, that it was misleading to the public.

Mr. FORDNEY. At all events, the people at the polls 10 or 12 days later took him at his word as being correct and elected him President of the United States. He is our President now; he is my President. I may agree with him sometimes, but I certainly disagree with him on the manner of raising the revenue for the running expenses of this Government that is wholly impracticable from a democratic standpoint.

Your Underwood tariff law has been an absolute failure as a revenue producer, and you have twice had to resort to direct, oppressive, and discriminating taxes. You can raise any amount of revenue. The wealth of this country is very great. We could pay heavy taxes and still have plenty to buy bread and butter. Since 1800 under a protective tariff law the wealth of the United States has gone up from \$16,000,000,000, as shown by the census of 1800, to \$190,000,000,000, or \$174,000,000,000 increase under the influence of protective-tariff laws [applause on the Republican side], and we had a most disastrous civil war during that time. Great Britain and Germany combined have only \$162,000,000,000 of wealth, or had prior to the war, and they had several centuries the start of us. Therefore I say this great accumulation of wealth in the United States is very largely due to the policy of the Republican Party in the last half century. [Applause on the Republican side.]

Mr. GOODWIN of Arkansas. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. GOODWIN of Arkansas. I believe that the same statistics show the wealth of this country increased during the first three years of the Wilson administration \$43,000,000.

Mr. FORDNEY. The gentleman does not mean to convey the idea to the American people that the increase in our exports since the war has been declared is due to the legislation on the part of the Democratic Party? If so, say so now.

Mr. GOODWIN of Arkansas. The increase has been under a Democratic administration.

Mr. FORDNEY. I have shown you that more than two-thirds of all the exports have gone to the battle fields of Europe, and that in all the other exports there has been a falling off. Is the Democratic Party responsible for the war in Europe? If they are, they are entitled to the credit of these extraordinary exports. [Applause on the Republican side.]

Mr. MOORE of Pennsylvania. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. MOORE of Pennsylvania. Is not the gentleman from Michigan taking the gentleman from Arkansas too seriously, or does he think that the gentleman agreed with the President when he changed front on the tariff and came out for a tariff commission?

Mr. BUTLER. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. BUTLER. I want to learn a little more. There is one thing to be said about the gentleman from Michigan, and that is he is serious, and it is necessary to have seriousness in this discussion. Did the gentleman from Michigan make any comparison of the income that we would have received in the year

1915 if we had continued the Republican legislation? The gentleman made the statement for 1916; how about 1915?

Mr. FORDNEY. I only compared the increased revenue to the Government from a protective-tariff law.

By the way, our Democratic friends have repealed many of the stamp taxes, direct internal-revenue taxes, that we had upon our statute books when they came into power, and we would have received much more in that direction than the amount I have mentioned from an import duty. There is a deficit now of \$37,000,000 in the Treasury, and no man can deny it, though under their bookkeeping it is not shown; but if any national bank in the country adopted similar systems of bookkeeping the bank examiners, under the direction of the Secretary of the Treasury, would have every mother's son in the bank in jail in 24 hours for fraudulent bookkeeping. In addition to the \$37,000,000 now shown as a deficit, when we come to add up the assets we find one of \$12,535,000, money in the Treasury received from the Government of Greece for the sale of two battleships. That is in the Treasury as a part of miscellaneous receipts, although the act that authorized the sale of those ships provided that that money must be expended in the construction of a great dreadnaught, which has not yet been built, and the money is gone.

Mr. FESS. Mr. Chairman, what is the attitude of all the European powers now toward the protective tariff?

Mr. FORDNEY. Prior to 1879 Germany adopted practically the English tariff law. When Bismarck appeared before the men in power he said, "I notice across the sea the people of the United States that have adopted a protective tariff law to protect themselves against the imports of cheap labor are prosperous, and that we are going back," and he recommended an increase of tariff rates on German goods, and immediately it was put into effect, and Germany prospered from that time on down as no other country in the world, except the United States, ever prospered; and the poor people of England have not increased in wealth. They are poor yet.

Mr. FESS. What is the attitude of the 5,000,000 members of the English Federation of Labor, as announced in September last?

Mr. FORDNEY. I do not remember seeing that.

Mr. FESS. They recommended a protective tariff for Great Britain.

Mr. FORDNEY. My friends, let me say briefly that I am a Republican, without any apology, because I believe in Republican principles, and when you produce an article in this country that represents a dollar in labor costs, and your competitor across the sea can produce the same article with a labor cost of 50 cents, it is evident to every fair-thinking man that your competitor will put you out of business unless you are given protection sufficiently high to bring up his cost to your cost. If not, he will come into our markets and capture them, and I want to remind you that of the \$30,000,000,000 worth of stuff that we produced in the factory and on the farm last year, notwithstanding our great exports sent abroad, more than 90 per cent was consumed in the United States. The United States is the best market for American-made goods that there is in the world. Why give it to the foreigner and send your laboring men to the street corners where, as in 1894, 1895, and 1896, they sit on boxes around the grocery stores and whittle sticks to pass time away. In those years a laboring man would go home and have his wife prepare a Cleveland badge for him. I heard a man once ask a lady what a Cleveland badge was, and she said, "Oh, my, how ignorant you are. A Cleveland badge is a patch about 8 by 10 upon the seat of your pants." [Laughter.]

Mr. RAINEY. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. RAINEY. Does the gentleman mean that if we had continued in force the Payne-Aldrich Tariff Act it would have met the present emergency?

Mr. FORDNEY. It would have met the present emergency except for the extraordinary expenditure in building up the proposed greatest Navy in the world and the increase in the Army. Going along as we were at that time, spending \$145,000,000 a year upon our Navy and about \$100,000,000 a year upon our Army, the protective law would have yielded to us a sufficient amount of revenue without the raising of taxes by this direct income tax, as you are raising them.

Mr. WM. ELZA WILLIAMS. If that would have met the ordinary expenses, how would the gentleman have provided for the extraordinary expenses?

Mr. FORDNEY. I have stated that before, though perhaps the gentleman was not present. I believe that the Panama Canal should have been constructed by the proceeds of the sale of Government bonds, to be placed upon our children, much of

it, and our grandchildren in coming generations. If it be necessary—and I voted for it—to increase our great Navy, then I would vote to issue Government bonds to build that extraordinary Navy; but the method of raising revenue by the protective tariff would have taken care of the other necessary expenses of the Government, if we left off those foolish propositions which you have enacted into law, wholly unnecessary at this time.

Mr. FARR. That would have included the additional cost for preparedness?

Mr. FORDNEY. Oh, yes.

Mr. FARR. We would have raised enough to do that?

Mr. FORDNEY. Oh, yes. I have stated that going along as we were, spending \$100,000,000 a year upon our Army and about \$145,000,000 upon the Navy, we would have had plenty of revenue without resorting to any special taxes. [Applause.]

Mr. QUIN. Mr. Chairman, the gentleman classes as amongst the list of foolish items the \$162,000,000 for the Mexican border expenses?

Mr. FORDNEY. I think that was an absolutely useless expenditure, because our Regular Army could have preserved peace, and you could have gotten just as near to capturing Villa as you have with the State Militia. [Laughter.]

Mr. QUIN. I wanted to ask how you would have prevented that expenditure?

Mr. FORDNEY. I have said, and will repeat, that we had sufficient national troops to do it without all of this expenditure of \$162,000,000 in sending the boys from the various States of the Union down there to the border.

Mr. BUTLER. Will the gentleman yield?

Mr. FORDNEY. I do.

Mr. BUTLER. The gentleman understands, of course, that Pershing is to withdraw from Mexico, and his troops are to be placed on the border, and that the State troops on the border are to be sent home. Why could not they furnish the protection necessary with the Regular Army?

Mr. FORDNEY. I want to say further, when Pershing was directed to go into Mexico he went 126 miles down into Mexico and reported that Villa was but 40 miles away, and the War Department said, "You stop right where you are." [Laughter.]

Mr. EMERSON. I would like to ask the gentleman a question. The State troops were ordered to participate about the time of the Democratic national convention, and was it not at that time considered a matter of political expediency?

Mr. FORDNEY. I said at that time it was to elect a Democratic President, and it turned the trick. [Applause on the Republican side.]

Mr. QUIN. Was not that a good investment?

Mr. MILLER of Pennsylvania. Will the gentleman yield for a question?

Mr. FORDNEY. Yes; one more question.

Mr. MILLER of Pennsylvania. Will the gentleman state the amount of new taxes that have been ordered since the first session of the Sixty-second Congress?

Mr. FORDNEY. I could give somewhere near it.

Mr. MILLER of Pennsylvania. Well, approximately.

Mr. FORDNEY. Under the 1 per cent income tax for corporations and individuals, about \$70,000,000 was collected from those two sources. Now, then, it is estimated they will collect this year \$133,000,000 from the corporation tax and, I think, something like \$70,000,000 to \$80,000,000 from individual income taxes. This law now proposes to raise \$22,000,000 from inheritance taxes, and \$56,000,000 from copartnership, and \$170,000,000 additional from corporations, insurance companies, joint-stock companies, and the like, or a total of \$248,000,000, a sum exactly equal to the amount that the Payne law would have raised on imports last year over and above that raised under the Underwood law. [Applause on the Republican side.]

Mr. MILLER of Pennsylvania. I thank the gentleman.

Mr. FORDNEY. Mr. Chairman, I thank the gentlemen of the committee.

Mr. FORDNEY. Mr. Chairman, how much time have I used?

The CHAIRMAN. The gentleman has used 1 hour and 15 minutes.

Mr. FORDNEY. I now yield 40 minutes to the gentleman from Ohio [Mr. LONGWORTH]. [Applause.]

Mr. LONGWORTH. Mr. Chairman, I listened with great interest and with great pleasure, as I always do, when he speaks, to the grave, calm, and dispassionate explanation of this bill by the gentleman from North Carolina [Mr. KITCHIN], but with all his eloquence and logic he has failed to satisfy me that it has any merit whatever. I am opposed to this bill. [Applause on the Republican side.] I am opposed to everything in it and everything about it, and I condemn the conditions that have

caused its introduction into this House. In thus announcing my opposition I do not think I will be accused of basing it on grounds of partisanship only. Gentlemen will remember that I supported a Democratic revenue bill not long ago, whether wisely or not I will not debate now. I voted for the bill offered by the gentleman from North Carolina last June, and I did it, as I then announced, for two reasons. In the first place, because I believed that the revenue it was designed to raise was necessary to pay for the preparedness program we had adopted; and, secondly, because I believed that its method of raising revenue, even though it did not include the obviously correct way of raising revenue—a duty on competing products of import—it was based in the main upon what I conceive to be Republican principles. I am not, then, making my attack upon this bill solely because it comes from a Democratic source. From whatever source this bill had come, under whatever circumstances it might have been introduced into this House, I would characterize it as the most obnoxious taxation measure I have seen since I was first elected a Member of Congress. [Applause on the Republican side.] In the first place, it starts with a deceptive and misleading title. It is called "A bill to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes." If it were not for the saving use of those words "other purposes" the title would be an unredeemed fraud upon its face. It is an adroitly constructed bill. It is made to appear that a portion of the revenue designed to be raised is to be segregated in what is called a "preparedness" fund; but you will observe that even this relatively insignificant portion of the amount carried is marred by the proviso at the end of the section which allows the Secretary of the Treasury to use this fund for "other purposes." It is not for preparedness that this bill is intended to provide. Even if the Secretary had no leeway with regard to the expenditure of this fund, and it was to be kept intact, it is a sham. It is because of the "other purposes" that the huge amounts of money that this bill carries are demanded. Allow me, my friends of the Democratic Party, to congratulate you upon one thing. If you have made a lamentable failure of raising the money necessary to support this Government you have made a monumental success in spending it. [Applause on the Republican side.] You have done something, it is true, toward preparedness; to that extent I congratulate you; but your main efforts have been successfully concentrated in the direction of "other purposes."

I shall not attempt to enumerate those other purposes. The gentleman who preceded me mentioned a number of them. Nor shall I attempt to count their cost. The gentleman from Michigan [Mr. FORDNEY] has stated, and other gentlemen will state, the figures in extenso. I will only suggest that they include ships to be brought under your new policy of Government ownership, nitrate and ammunition plants, obsolete before they are built, both of them, and utterly useless to this Government in time of war; the creation of thousands—and this the gentleman from Michigan forgot to mention—the creation of thousands of additional and useless offices since this administration came into power for the benefit of deserving Democrats; the huge expenses incident to your pitiful Mexican fiasco we have just heard discussed; "pork" in vast quantities distributed in certain favored sections of this country; and many other forms of wanton and wasteful extravagance, the cost of which has mounted into hundreds upon hundreds of millions.

As a matter of fact, this bill represents the final confession of the Democratic Party of its pathetic incompetence to successfully manage the business of this Nation. Had it come a few months ago, my friends, it would have been your deathbed confession. [Applause.] But with an adroitness worthy of a better cause you succeeded in deceiving the people before election as to the real condition of this country's finances. You adopted the policy of postponement, and, I regret to say, it worked; but it will not work this time. [Applause.] You were wise enough to know that you had to put off paying the piper until after election, and you did it by the simple process, learned no doubt from a close study of the life and methods of the late Mr. Micawber, of failing to pay your debts. You pretend that the monumental settlement you are now forced to make is due to the program of preparedness which the enlightened sentiment of the American people forced upon you. I say that it is not preparedness for the national defense, but extravagance—extravagance, wild and reckless; extravagance run riot since the members of the Democratic Party laid violent hands upon the Treasury of the United States—that has brought about the desperate financial straits in which the Nation now finds itself.

In one policy, at least, you have been consistent from the beginning—to get what you could when the going was good. Any

one of you who remembers his Mark Twain, and he could hardly do that without recalling his imperishable

Punch, brothers, punch with care.
Punch in the presence of the passenjare,

will trace the source and inspiration of a verse I may be permitted to recite as my conception of a suitably inspiring war cry for the Democratic Party, to be used when in serried phalanx it makes its repeated raids upon the Treasury:

Dig, brothers, dig with glee,
Dig to the bottom of the Treasury.
Shovel out the shekels for the Klissimnee,
Millions for nitrates on the Tennessee;
The South is in the saddle, you bet, by gee!
Dig to the bottom of the Treasury.

[Applause.]

I think I am tempted to recite another verse:

Dig, brothers, dig with glee.
Why leave a nickel in the Treasury?
Leave the accounting to William G.;
He can fake up a balance to a T.
The voters are plunged in lethargy;
Dig to the bottom of the Treasury.

[Applause.]

If success is to be measured by the abundance of treasure you have abstracted, truly you are to be congratulated. You have not only dug to the bottom of the Treasury; you have dented the floor. The gentleman from Massachusetts [Mr. GILLET], the other day, and the gentleman from Michigan [Mr. FORDNEY], a few moments ago, conclusively proved that the alleged Treasury balance you see reported in the newspapers every morning is not a balance at all. It is not an asset; it is a liability; for the Treasury of the United States to-day, so far as having a cash balance available to pay our just debts is concerned, instead of being some \$90,000,000 to the good, is \$300,000,000 worse off than nothing.

Mr. MADDEN. Does not the gentleman know that the Democrats are always noted for being able to deal with a deficiency.

Mr. LONGWORTH. Oh, yes. Of course, additional revenue is necessary. Millions upon millions must be raised by hook or crook. If you had made a frank statement of the situation, if you had brought in a bill which appeared on its face to be constructed in good faith, if you had proposed a revenue measure which provided higher duties upon competitive articles of import, I would have cheerfully supported it. I will never support such a revenue-raising measure as this. You propose in a time of profound peace to issue more than \$600,000,000 worth of bonds, designed for purposes all of which ought to be paid, most of which have always been paid, certainly when the Republican Party was in control, out of the current revenues. Worse than that, you propose as a means of raising a revenue of some \$225,000,000 a tax unique in the history of this country, a tax never before heard of either in time of peace or in time of war. You propose a tax upon business, a tax upon the business of the country, big and little, and particularly little; a tax based not upon magnitude of operation but upon economy of operation; a tax to be imposed simply and solely upon efficiency of production. You propose a tax which will be borne, in the main, not by men of large capital but by men of small capital. You propose to tax American citizens who by intelligent, progressive, and economical management of their resources have done a prosperous business and to let those of larger capital, but whose methods have been wasteful, extravagant, and unprogressive, go free.

The result of this new policy, conceived apparently in praise of shiftlessness, wastefulness, and extravagance, will be to punish thrift, economy, and progress. And for such a policy I, for one, will never stand. [Applause.] Is it because of the pride you take in your management of the business of the country that you thus exempt from all taxation those who have managed their own business in similar fashion and put a penalty upon those who have managed their business otherwise? Possibly it may be fortunate that this tax is not extended to the salaries of Members of Congress. I certainly would not even hint it, but some evil-minded person might suggest that \$7,500 a year, based upon invested capital, which in this case I would assume to be the capital of brains and ability, invested in the service of the country, in the case of some gentlemen who support this bill would represent a return in excess of 8 per cent. [Laughter.]

You propose a tax of 8 per cent upon that portion of the income of substantially all partnerships and corporations, after deducting \$5,000, which is in excess of 8 per cent on the capital actually invested; and such capital is defined to be, first, actual cash paid in; second, the actual cash value at the time of payment of assets other than cash paid in; and, third, paid in or

earned surplus and undivided profits used or employed in the business.

The suggestion of the gentleman from North Carolina [Mr. KIRCHIN], that this tax is in any way comparable with or in any way similar to the excess profit taxes now imposed in Great Britain and Germany and Canada, is beside the mark. In the first place, those are war taxes, and I decline to vote for a war tax in this country in time of peace. In the second place, they are not calculated in the way that this is; they are not calculated upon capital actually invested. Why, such a proposition as this is utterly unenforceable. We are spending to-day millions of dollars in trying to find out the physical value of railroads, and do you expect that any railroad could make a return under this bill which would show its actual invested capital?

It is a fine time, gentlemen, in the world's history, to adopt a policy of penalizing efficiency, of penalizing here in America that for which every other nation in the world is striving as they never strove before. At a time when the average industrial efficiency of every country in Europe has increased, according to Government reports, anywhere from 50 to 200 per cent, you propose, instead of encouraging American enterprise, that it may be competent after the war is over to meet the tremendous competition that is inevitable, to make it pay a tax upon that which is essential for the industrial independence of the United States. [Applause on the Republican side.]

I say to you that such a policy is un-American; it is to the last degree un-American. It strikes at the very root of that policy which has made this Nation great and which has prevailed in America throughout most of the last century—the policy of exalting the interests of American citizens above the interests of citizens of any other country.

In one sense it is perhaps not unfortunate that this bill is here, because it emphasizes as no other measure possibly could the bedrock difference between the Republican and the Democratic Parties. For the very reason that it is entirely un-American, it is in the partisan sense essentially Democratic; for the very reason that it is un-American, it is in the same sense un-Republican.

Gentlemen on that side of the aisle are fond of saying that we on this side are not united. If there be any truth in that, if it does apply to some matters of relative insignificance, it does not apply on fundamental issues like this. [Applause on the Republican side.] Upon an issue of Americanism there is no division in our ranks. [Applause on the Republican side.] We vote solidly for the proposition that America shall be first. We vote solidly for the proposition that America shall be efficient. We vote solidly for the proposition that it is the first and highest duty of Government to protect, at all hazards and under all circumstances, all American citizens, whether in their property and lives abroad or in their industry here at home. [Applause on the Republican side.]

Mr. FESS. Will my colleague yield at that point?

Mr. LONGWORTH. With pleasure.

Mr. FESS. We all have appreciated your emphasis on penalizing efficiency and penalizing industrial preparedness. Is it not true that the entire argument of the chairman of the committee who presented the bill was also to penalize those who believe in the protection of the Government in national defense, stating that the clamor had been that we should defend and that therefore we are going to make them pay for it? What is the idea of the punishment of the men who believe in defending the Nation?

Mr. LONGWORTH. Well, I confess it was somewhat difficult to follow definitely the exact thread of the argument of the gentleman from North Carolina this morning.

Mr. FESS. I would like to ask this question: If that is the idea, the men who would fall under this law who have been opposed to the national defense program ought to be exempted from tax, according to that argument of the gentleman?

Mr. LONGWORTH. I regarded the gentleman's statement on that proposition as something like this: That activity for preparedness for the national defense was a misdemeanor, and it therefore should be punished. [Laughter on the Republican side.]

Mr. FESS. That is it.

Mr. MOORE of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. LONGWORTH. Certainly.

Mr. MOORE of Pennsylvania. The gentleman may not have recalled the thread of the remarks of the gentleman from North Carolina, but undoubtedly he recalls the peroration of the gentleman from North Carolina. If he does not, I shall refresh his memory.

Mr. LONGWORTH. I shall be glad.

Mr. MOORE of Pennsylvania. The gentleman from North Carolina, in his peroration, sounded a bugle call to rally round the standard that he had just unfurled to resist a possible Republican attempt to restore the protective-tariff system in this country.

Mr. LONGWORTH. Yes; and he also added, I believe, that while in ninety-nine cases the President had been right, in his belated advocacy of preparedness he was wrong. [Laughter on the Republican side.] The Democratic Party is arrayed solidly on the precise converse of the proposition I have laid down. From the day you took hold of the affairs of this country you have neglected no opportunity to show your contempt for the policy that American interests shall be held to be paramount to all others. At the outset you declared that it was no part of the duty of this Government to protect American property in Mexico; and when American citizens lawfully in Mexico besought protection, not only for their property but even for their lives and for the honor of their women, they were told to come home or take the consequences. At this point I will ask to insert a letter that I received from a constituent asking protection for an American, his wife, and nine children in Mexico. I ask unanimous consent to print the whole letter in the RECORD.

The CHAIRMAN. The gentleman from Ohio asks unanimous consent to print in the RECORD the letter he refers to. Is there objection?

There was no objection.

The letter is as follows:

2703 PARK AVENUE, WALNUT HILLS,
Cincinnati, Ohio.

MY DEAR MR. LONGWORTH: Will you kindly exert your influence in getting the Washington department to allow assistance to be given to an American citizen, with his wife and nine little children in Mexico City. This gentleman is a particular friend of my son, Dr. Richard Taft Taylor, whom you may remember.

My last letter from him was written February 28. Coming first to Washington, it reached me April 24. In it he states that they have only provisions enough to last four days, and then will be destitute again and left to their fate. He said he had repeatedly unavailingly asked further assistance of the Brazilian Legation. Just before Christmas I applied to Secretary Bryan to out of his abundance assist him, as he knew what an estimable man Mr. Frisbie is, as he visited him a number of years ago at his former home in Jalapa, and he also knows that the Mexicans have taken from him and his family their valuable sugar mills, also \$350,000 worth of sugar, their large plantation, and destroyed \$50,000 worth of property, and the Government demanded as a loan about all the money he had in bank, \$20,000. This loss is recorded at Washington and amounts to \$1,500,000. Mr. Bryan also knows, for I wrote then to him, that they had to sell everything possible of their furniture, clothing, etc., for food, and were at that time in destitute condition, and, as Mr. Frisbie described them, "with hollow cheeks, emaciated forms, tight-drawn skin over their bones, and eyes red from insufficient food and clothing." Mr. Bryan communicated with Consul Silliman and, finding this to be true, ordered provisions enough given them by the Brazilian Legation to last one month. Mr. Frisbie wrote me that with this assistance, and what was sent by my son, Dr. Taylor, and me, they were actually saved from starvation. Consul Silliman also wrote to me they were in great need of assistance.

The World's Work of February, 1909, contains a picture of Gen. John Frisbie and says that no American ever entered Mexico who had done so much good for the American cause there as he, the now deceased father of our friend, Mr. L. Platon Frisbie, the subject of this letter. I have for some time past been sending him small amounts of money, all that I could spare, in letters, but recently apparently he has not received any of them. Now, with sickness and unusual expenses, I can not send as heretofore. Just before the Mexican revolution he was trying to arrange his business so that they could live in Cincinnati, and I was looking for a suitable house for them. Later, when reduced to poverty by Mexican piracy, he begged the legation to lend him \$100, American money, a month, or until he could provide for his family himself. Naturally he is a good business man. If foreigners are assisted, I can not comprehend why our Government does not help Americans in distress.

Trusting you will do what you can for them. If you wish to know more who he is, Admiral Dewey will tell you, as he was a particular friend of his father. Also Hon. Fenton R. McCreery, of Michigan, a friend of his, urges me to ask your aid.

Yours, most respectfully,

Mrs. EMMA TAFT TAYLOR.

MAY 3, 1915.

Mr. LONGWORTH. I will now read to you a letter that I received from a distinguished former official in this administration in reply to one I wrote him asking if something could not be done to help to protect the property and lives of this man and his wife and children. The letter well illustrates the policy of this administration in regard to the sanctity of the life and property of American citizens abroad. This letter says:

DEPARTMENT OF STATE,
Washington, May 22, 1915.

Hon. NICHOLAS LONGWORTH,

House of Representatives.

SIR: I have the honor to acknowledge the receipt of a copy of the letter addressed to you by Mrs. Emma Taft Taylor, of Cincinnati, Ohio, dated May 3, 1915, relative to the maintenance of Mr. L. Platon Frisbie, his wife, and nine children at Mexico City, Mexico.

In reply I regret to inform you that the funds at the disposal of the department are not sufficient to enable it to provide for the main-

tenance of Americans in Mexico City. Those who are without funds should avail themselves of the first opportunity to leave. The department will cooperate with the Mexican authorities to secure means of transportation for all Americans who wish to come to the United States. Free transportation will be furnished those who are absolutely destitute, but those who have property but are temporarily without funds will be required to furnish notes for whatever amounts may be advanced to them to bring them out of the country. Telegraphic instructions in the sense of the above were sent to the Brazilian minister at Mexico City on May 15, 1915.

If any of these Americans there wanted to come home, or if they valued their lives at all, they had to communicate with the Brazilian minister, who apparently was the only person with whom Mr. Bryan was in communication at that time.

Mr. CANNON. Who signed that letter?

Mr. LONGWORTH. I forgot to state. The conclusion of this letter is—

I have the honor to be, sir,

Your obedient servant,

W. J. BRYAN.

He was not obedient in that case. I wanted him to do something to protect the life and the property of my constituent and of his wife and children, but he refused. I cite this as an illustration of the policy the Democratic Party has consistently pursued with reference to the interests of American citizens abroad. And from that day to this the same general policy has prevailed as to American citizens whether absent or present in this country. American interests are not rated first; they are rated last under this administration.

This new taxation scheme is the last and strongest link in the chain that the Democratic Party have been forging to shackle American business at home and abroad. The tax they propose is a direct tax on success; on success not necessarily great or distinguished, but just plain, ordinary, moderate success, the success that distinguishes efficiency from shiftlessness and thrift from wastefulness.

Mr. MADDEN. Will the gentleman yield for a question?

Mr. LONGWORTH. Yes.

Mr. MADDEN. Does this bill provide that the Secretary of the Treasury may send experts into all the business institutions of America to examine their books and ascertain their profits, and thereby have a system of espionage over all the business of America?

Mr. LONGWORTH. I do not understand that this bill does that in terms.

Mr. MADDEN. I think it does.

Mr. LONGWORTH. But I think it provides that all methods which may be used for the ascertainment of incomes, either under the corporation tax or under the individual tax law, may be used in this case, and it provides that every corporation or partnership shall make a return which shall show all the items with reference to their actual invested capital. I assume that those penalties would apply, as they do under the income-tax law.

Now, I wonder whether this represents the complete program of this method of taxation, or whether it is only the beginning. Unless you gentlemen of the Democratic Party make some pretense of cutting down this wasteful expenditure of public money you will need more money this time next year. Do you propose then to stop at 8 per cent, or are you going to hike it up 50 per cent, as you have done within less than a year after passing your inheritance tax? Why stop at 50 per cent? Why stop at 100 per cent? Proceeding under your theory that success is a crime and prosperity a misdemeanor, why not confiscate everything above 8 per cent? The power to tax is the power to destroy. Why not destroy? Why not destroy all profits? Why not pass a law something like this, that all corporations or partnerships that make over 8 per cent shall contribute that excess to pay the losses of all partnerships and corporations that make less than 8 per cent? Why not pass a law—for that is the principle involved here—that no man may use in the development of his business more energy and brains than his least efficient competitor? That is the logical result of the policy adopted by this bill.

This bill is a direct blow at American industry, the industry of the man who works with his hands as well as of the man who works with his brain; for its tendency is going to be to block American progress, to destroy American efficiency, and to reduce American wages. From whatever point of view you consider it this is an un-American proposition, and I predict that the Democratic Party will live to rue the day when they foisted this monstrosity upon the American people. [Applause on the Republican side.]

Mr. GORDON. Mr. Chairman, will the gentleman yield for a question?

Mr. LONGWORTH. Oh, I guess so. I will yield to my colleague.

Mr. GORDON. Do you think this is as great a blow to American industry as it would be to put a tariff tax on raw material?

Mr. LONGWORTH. I have not advocated a tariff on raw material.

Mr. GORDON. Then where would you raise this money you talk about? How would you raise it without taxing raw materials?

Mr. LONGWORTH. I know that the gentleman is probably the most advanced free trader in this House, and it would be rather bootless for me to suggest to him how a tariff can be for revenue and protection at the same time.

Mr. TOWNER. Mr. Chairman, will the gentleman yield?

Mr. LONGWORTH. Yes.

Mr. TOWNER. The gentleman knows, I think, quite well that all over the agricultural portions of the United States there are farmers' associations, dairy associations, and grange associations in which the farmers invest small capital for the purpose of building a warehouse or creamery, or something of that kind, and cooperate in the manufacture, marketing, and sale of their products. They would all come under the provisions of this bill, would they not?

Mr. LONGWORTH. I suppose not. Partnerships are specifically exempted in this case.

Mr. TOWNER. Yes; but not the joint-stock companies. They are included with corporations.

Mr. LONGWORTH. Yes; I think that probably the gentleman is right.

Mr. ALLEN. Will the gentleman yield?

Mr. LONGWORTH. I yield to my colleague.

Mr. ALLEN. Did the gentleman ever hear of one of these corporations or partnerships making over 8 per cent?

Mr. TOWNER. I will say to the gentleman that, as he well knows, there is no dividend declared in most of these associations, and the great difficulty in those cases is going to be that whatever is received from the sales of the creamery, we will say, is returned to the contributors and joint-stock owners of the association and constitutes really the price of their products. Now, it would be practically impossible, except by some arbitrary determination, to decide what is the amount of profit in a case of that kind.

Mr. ALLEN. The reason I make the inquiry is that I have belonged to three of these associations for 20 years.

Mr. KITCHIN. Mr. Chairman, I yield 20 minutes to the gentleman from Illinois [Mr. RAINEY].

Mr. RAINEY. Mr. Chairman, I have listened with interest to the statistics of the gentleman from Michigan [Mr. FORDNEY] and to the good-natured criticism and the invective, not so good-natured, of the gentleman from Ohio [Mr. LONGWORTH]. Both of these addresses attempt to convey the impression that we are imposing a tax upon successful business; that we are imposing a burdensome tax upon small aggregations of capital; that in this measure and in the other measures which we have adopted during the present administration we have expressed our contempt for the policy that American interests are paramount wherever Americans can be found. These gentlemen insist with more vigor than logic that this is "only another attempt on the part of the Democracy to shackle business in this country."

I get the impression also from these two addresses that both these gentlemen believe that if the Republicans had been permitted to remain in power, if the rates of the Republican tariff bills had prevailed to this date, this situation could not exist and we would not now be called upon to meet these tremendous expenditures by this sort of a bill—expenditures made necessary by the fact that all the rest of the world is engaged in the most horrible war of all history, and that in this age of force in the world we must be prepared to maintain our neutrality and to protect and maintain the peace, prosperity, and happiness which prevails now in this favored land.

REPUBLICAN TARIFF THEORIES AND THE PRESENT EMERGENCY.

Now, suppose we had retained until this day the rates of Republican tariff laws. Could we meet now with that sort of a revenue these tremendous preparedness expenditures? Our preparedness program for 1917 and for 1918 require \$873,000,000 above the normal expenditures—\$436,000,000 per year above the usual expenditures of the War and Navy Departments. This program was considered necessary by the military experts up here in the War Department, and by the people generally throughout the country.

If we had extended the rates of the McKinley bill to the present time, and if we were this year and every year collecting the highest amount of money we ever collected under the McKinley bill, we would be collecting only \$219,000,000 per year—almost \$220,000,000 too small to even pay for this additional

program of ours. In the Taft campaign you promised to lower the tariff rates if you succeeded in getting into power again in this country. You promised in your platform to revise the tariff in a special session of Congress if you elected your candidate. The country was not satisfied with that promise and said it must be a revision downward. You sent Mr. Taft in a swing around the circle, speaking in the important cities of this land, declaring that if he was reelected his reelection meant the reduction even of the rates which at no time under either the McKinley or the Dingley laws had yielded over \$330,000,000. But you did not keep your promise; you enacted the Payne-Aldrich bill and increased the tariff burdens upon the people of the land. Your Payne-Aldrich law yielded \$333,000,000 during the fiscal year of 1910, and that was the year in which it yielded the largest revenue; the next year was 1911, and it yielded \$318,000,000.

Mr. TOWNER. Will the gentleman yield?

Mr. RAINEY. Yes.

Mr. TOWNER. Of course the gentleman should take into consideration the largely increased importations. Does not the gentleman know that there is no encyclopedia or annual year-book in the world that does not give 3 or 4 per cent difference between the Payne-Aldrich bill and the Dingley law?

Mr. RAINEY. I do not know what the large library of books the gentleman is quoting will show, but I know the statements that I am making are true.

Mr. TOWNER. The gentleman can not point to any authority that coincides with his statement.

Mr. RAINEY. I call the gentleman's attention to the Treasury reports, and they will show that what I have said is true. We collected \$333,000,000 in 1910 under the Payne-Aldrich bill, and \$318,000,000 in 1913. The increased collection under the Payne-Aldrich bill over the McKinley bill was over \$100,000,000—of course more money was collected under the Dingley law than under the McKinley law, but not more than I have indicated.

Mr. MOORE of Pennsylvania. Will the gentleman yield?

Mr. RAINEY. Yes.

Mr. MOORE of Pennsylvania. Is it not a fact that the ad valorem rates under the Payne law were less than under the McKinley law?

Mr. RAINEY. No; the ad valorem rates were higher under the Payne-Aldrich bill than under the McKinley bill, and reports of your own exports show it. It may be possible that as a mathematical proposition the rates under the McKinley law indicated a higher percentage, perhaps due to an enlargement of the free list under the Payne-Aldrich law. But the Treasury records will show that under the McKinley law you collected an average duty per capita of \$2.25 and under the Payne-Aldrich law you collected an average duty per capita of \$3.40, which does not indicate a substantial decrease in tariff burdens.

Mr. MOORE of Pennsylvania. I am speaking of the Dingley bill.

Mr. RAINEY. I do not care to continue discussing ancient history.

Mr. FESS. Does not the gentleman mean the Dingley bill instead of the McKinley bill?

Mr. RAINEY. No; I want to call attention now to the Payne-Aldrich bill. Now, the point I want to make is this: These gentlemen insist that they could pay for the extra preparedness program, amounting to over \$436,000,000 a year, by levying tariff taxes. The most they ever succeeded in getting out of any Republican tariff law they got in 1910 out of the Payne-Aldrich law, and that amount was \$333,000,000, which entire amount is over \$100,000,000 less than the additions alone in the Army and the Navy and the fortifications supply bills, made necessary by these preparedness measures. You never got any more money than that out of the tariff in any one year during the life of the Republican Party, and that amount would not even pay this increase.

OUR PRESENT PROSPERITY AND DEMOCRATIC TARIFF POLICIES.

Now, I have always understood from my knowledge of economics that that nation in the world was the most prosperous which imported the most, which exported the most, which had in its favor the largest balance of trade, if any such combination as this could ever exist among the civilized nations of the modern world. At the present time we are exporting more from this country than any nation ever exported since the morning stars sang together. At the present time we are importing, month by month and year by year, more than any other nation ever imported. At the present time we have in our favor, month by month and year by year, the largest balance of trade any nation ever enjoyed—larger than we have ever enjoyed during all the

period of our history as a Nation; and yet these gentlemen say we are shackling business under this financial policy of ours.

The first thing we did in the Underwood tariff act was to establish what we said was a competitive tariff—was to take off \$80,000,000 of tax burdens from the people of this country and put those tax burdens where they ought to be, upon the large incomes of the country, upon the men who profited most under this Government, upon the men who were best able to pay. If our manufacturing establishments are closed throughout the land, that might be evidence to which these gentlemen could point, but if they are working day and night and some of them even violating the Sunday laws, if they are doing all of that, they are not injured. Out in my State from the tall chimneys of 20,000 factories smoke rises all day long and from hundreds of them all night long, producing there in the third manufacturing State of the Union manufactured goods for all the world, and among those 20,000 factories less than half a dozen are engaged in the manufacture of war material. We are obtaining the highest prices ever obtained for American manufactured products in the history of the world. We are obtaining the highest prices ever obtained for farm produce. Amid clanking machinery throughout the States of the Union 7,000,000 skilled laborers work producing more manufactured goods in 12 months of time than any nation in the world ever produced in a like period of time. Is that an evidence of any shackling of the business of the country? Who ought to pay the burdens of Government? Ought the poor to pay these expenses? Ought we to saddle these preparedness expenses upon unsuccessful business, if you can find any unsuccessful business in this land at the present time? Is it not right that those men who have combined and who are enjoying their full measure of the prosperity which has come to the Nation should pay their full share of its burdens, especially the burdens imposed by a bill which proposes to raise money to place out in the oceans which surround their factories an iron wall of floating steel forts to protect them and to insure through the coming years the profits they now enjoy? The money we are collecting goes also to pay for land defenses and for the great armies provided in these preparedness measures for all of which Republicans in this House voted. Talk about a tax on small business. Is an aggregation of \$100,000 of capital a small business? Let us assume that it is. We exempt first in the profits of a company on an invested capital of \$100,000, or of any amount, \$5,000, and then we exempt from the operation of this tax 8 per cent of their profits. In other words, in order to subject that small business with an invested capital of \$100,000 to the provisions of this bill they must first make upon the capital they have invested 13 per cent, and if they make more than that we take not what they make more than that, but we take one-twelfth of what they make more than that. That is not a burden upon successful business. That is not a burden upon small business.

AN ANALYSIS OF OUR IMPORTATIONS IN 1916 IN CONNECTION WITH OUR INDUSTRIAL DEVELOPMENT.

For the 12 months ending with December last our imports amounted to \$2,391,716,000. For the 12 months ending December, 1911, when the Payne-Aldrich Act was in operation, our imports amounted to \$1,532,359,000. In other words, our imports under the present tariff law are nearly one billion more per year than they were under the Payne-Aldrich law. If we are bringing in manufactured goods in this enormous quantity, then we may be displacing the goods produced by our own factories throughout the land; but if we are not bringing in manufactured goods in quantities tremendously large, then we can not be hurting anyone. Therefore it is important, in order to meet the statistics advanced by the gentleman from Michigan [Mr. FORDNEY], simply to call attention to the facts. In 1916 we brought in \$21,500,000 more foodstuffs than we did under the Payne law in a crude condition, including food animals. We brought in during the calendar year 1916 nearly \$114,000,000 worth of foodstuffs partly or wholly manufactured more than we brought in in 1912. In other words, under our law which made it possible to bring in foodstuffs in larger quantities than it was possible to bring them in under the Payne law we brought in foodstuffs in larger quantities—\$134,000,000 more in 1916 than in 1911. Would you have kept them out by imposing a tariff? Prices of foodstuffs, you complain, are going up all the time. Where would they have been were it not for these wise provisions of the competitive Underwood tariff law? We brought in in 1916 nearly \$390,000,000 more of crude materials for use in manufacturing than we did in 1912. In other words, under this tariff law of ours we were compelled to bring in nearly \$389,000,000 more of crude materials with which to feed these great factories of ours, prospering, as they were, under the Underwood law, than we brought in in 1912.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. KITCHIN. Mr. Chairman, I yield 10 minutes more to the gentleman.

Mr. RAINEY. Mr. Chairman, during the year 1916 we brought in materials for further use in manufacturing to the amount of \$65,000,000 more than were brought in under the Payne-Aldrich law in 1912. In other words, in order to keep these factories going in 1916 we not only used all of the crude materials and the materials ready for further use in manufacturing that could possibly be obtained in this country, but we brought in \$455,000,000 more of the kind of raw material which keeps 170,000 factories running throughout this land of ours than we brought in in 1912 under the Payne law. Did that hurt any industry in this country? I am comparing the calendar year 1916 with the calendar year 1912 for the reason that 1912 was a typical year under the Payne-Aldrich law.

Now, we come, in analyzing this import business, to which attention has been called, to the question of manufactured goods ready for consumption. Now, if under our bill we have brought in more manufactured goods ready for consumption than were brought in under Republican bills, then these manufacturers may have something of which to complain. During the 12 months ending with the month of December, 1916, we brought in of manufactured goods ready for consumption, ready for the consumer, \$45,000,000 worth less than we brought in in 1912 under the Payne-Aldrich bill. I know of no Member of this House who can use figures so effectively as the gentleman from Michigan [Mr. FORDNEY], but he uses always the statistics that represent his side of the question; but when you analyze, as I have here, the importations for 1916, to which he called attention, and compare them with the importations under the years of the Payne-Aldrich bill, it proves absolutely and conclusively that the Underwood tariff bill—competitive tariff bill, as we claim it to be—has done more to build up the industries of this country since it has been in force than all the Republican tariff bills that have ever passed through this House. [Applause on the Democratic side.]

Mr. PLATT. Will the gentleman yield?

Mr. RAINEY. For a question only; not for a statement or a speech.

Mr. PLATT. If that be so, the Underwood bill must be the cause of the high cost of living also.

HIGH COST OF LIVING EXPLAINED BY REPUBLICAN LEADERS.

Mr. RAINEY. Now, in that connection I want to read from a speech delivered by one of the Republican leaders in this House in reply to the gentleman who has just interrupted me. I want to read from the speech of the gentleman from Ohio [Mr. FESS], an able speech, made upon this floor during the first few days of his membership in this body, which was tremendously applauded on that side of the House; and if the gentleman was here at that time, he joined in the applause. The gentleman from Ohio always makes a good speech on economic subjects, but he never made a better one than this. At that time prices were high and the charge was being made that prices were higher under the Payne-Aldrich bill than they had ever been before. The upward movement of prices commenced at that time. Now, I want to read from the speech of the gentleman from Ohio [Mr. FESS], made on the 25th day of April, 1913:

High prices should be interpreted the "cost of high living" rather than the "high cost of living." It is due to many causes. First, the well-to-do situation of the average man has placed him in a position to gratify increased demands. He is becoming more extravagant. He wants more, and his standards of living are gradually increasing. Secondly, the drift of population from country to city disturbs the balance between production and consumption. It increases the demand for consumption more rapidly than the supply of production. This also causes prices of products to go up. Thirdly, the multiplication and improvement of facilities for communication, making the world but one neighborhood, has a like tendency upward in prices. Fourthly, the increase in the number of the middlemen between the original producers and the ultimate consumer compels an upward trend of price to the consumer, though it might not change for the producer. The farmer who sells his fat cattle at a price that steak could sell at 15 cents will see the steer go through a half dozen different hands, each of which must have a margin, so that when it reaches the hotel table it will command more than three times the original price. Fifthly, another cause of high price is the great bulk of money in circulation in our country. These causes are conditions of industry and not results of tariff duties.

The gentleman discussed the matter along that line, defending the high prices under the Taft administration. I remember that prior to that time, on the 19th day of August, 1912, another leader on the Republican side, the gentleman from Washington [Mr. HUMPHREY], discussed also the high cost of living under the Taft administration. The gentleman from Washington [Mr. HUMPHREY] thought so much of this speech that he printed it in pamphlet form and sent each Member of Congress a copy of it.

In defense of the high cost of living under the Taft administration, among other things, the gentleman from Washington said:

From the earliest history of the race high prices have marked the growth of civilization. * * * So the history of high prices is to-day, as it has always been, the history of progress; the one invariably measures the other. To-day from every nation of the world our consular agents report this complaint about the high cost of living.

Speaking of the Payne-Aldrich bill, the gentleman from Washington in his speech said:

The tariff was reduced 25 per cent on dressed meats, and the price of dressed meats immediately went up.

The tariff was reduced on ham 20 per cent, and the price of ham immediately went up. * * *

The man who claims that a reduction of the tariff means a reduction of the prices is at war with the facts, and is contradicting the entire history of the tariff legislation of this country. * * * It is true that it costs more to live to-day than ever before, but we are living better to-day than ever before. We live in better houses than ever before. * * * The luxury of yesterday is the necessity of to-day. The luxury of to-day will be the necessity of to-morrow. * * * To-day we produce three times as much gold as we did 20 years ago. Perhaps this may have something to do with the increased cost of living. * * * As private expenses have increased, so have the expenses of Government. * * * Where do we have the most progress and prosperity and happiness? Where prices are high. * * * Where do we have low prices? In India, in China, and other Asiatic countries. * * *

The gentleman from Washington proceeds to the conclusion of his speech with the following statement:

If cheap prices are wanted, then free trade is the remedy. Another Wilson bill will bring the result desired. There can be no doubt of that. Again we will have cheap meat and cheap clothing and cheap labor and still cheaper men.

The Republican speeches to which we have just listened indicate that this prophecy of the gentleman from Washington has not been realized. If we are to believe the addresses just delivered, prices are certainly not any lower than they were during the period of the Taft administration.

In commenting upon the approaching Democratic tariff bill—the Underwood tariff bill—the gentleman from Washington concluded his speech as follows:

No one need fear that if a Democratic tariff law is placed upon our statute books that the high cost of living will not disappear and that high living will also disappear; free trade, free soup houses, and cheapness, and poverty, and want, and hunger, and famine, and Democracy will again bless this country of ours.

In the face of the prosperity which prevails in this country to-day and the high wages, the highest ever paid in the history of the Nation; in view of the fact that no man is without employment who is able to work and who wants to work, these prophecies seem at the present time particularly ridiculous. These speeches were in defense of the high prices, the high cost of living which prevailed during the Taft administration, and which the gentleman from Michigan [Mr. FORDNEY] and the gentleman from Ohio [Mr. LONGWORTH] claim have not yet disappeared from the land.

Both of those gentlemen have correctly interpreted the reasons for high prices, and if the reason for high prices which prevailed in 1913 and immediately prior thereto is due to such causes as the gentleman from Ohio and the gentleman from Washington say in these speeches, then the increase in prices at this time is due in a still larger degree to the greater prosperity which prevails now throughout the land. We have poured month by month into our Treasury vaults here in this country a stream of the yellow gold, more than ever came to the vaults of any treasury of any country in the civilized world in a similar length of time. The importation of gold, while it brings in its train prosperity, brings also high prices, as the gentleman from Ohio knows.

Mr. FESS. Will the gentleman yield?

Mr. RAINEY. I yield to the gentleman.

Mr. FESS. That speech was made when we were discussing the Underwood tariff bill, and was in reply to the charge of the gentlemen who had charge of the bill and others that the high cost of living was due to a protective tariff.

Mr. RAINEY. No matter what the occasion was for the gentleman's speech, his argument applies with greater force now than it did then. [Laughter and applause on the Democratic side.]

Mr. BROWNING. Will the gentleman yield?

Mr. RAINEY. I will.

Mr. BROWNING. Was it not the intention of the Democratic Party to cure all those evils when they came into power?

Mr. RAINEY. The Republican Party had been in power for 50 years of time, and I would like to see any party that could cure all the economic evils in less than 4 years of time that grew up under 50 years of Republican rule. [Applause on the Democratic side.]

Mr. BROWNING. They can if they want to.

OUR ENORMOUS EXPORT BUSINESS UNDER DEMOCRATIC POLICIES.

Mr. RAINEY. Under this Democratic administration we are exporting goods. We are exporting at the rate of \$5,500,000,000 worth of goods every year. For the 12 months ending last December we exported \$5,480,000,000 worth of goods, and we did this in spite of the fact that the great central nations of Europe, always among our best customers, were closed to us by the English blockade.

We did this in spite of the fact that almost half the civilized world was closed to our markets. We sent more manufactured goods in 1916 to Sweden and to Norway and to Denmark, countries at peace, than we ever sent before in the same period of time in our history as a nation.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KITCHIN. Would the gentleman like more time?

Mr. RAINEY. I would like five minutes more.

Mr. KITCHIN. I yield to the gentleman five minutes more.

Mr. RAINEY. We exported more manufactured goods to Brazil, and to the Argentine Republic, and to Spain, and to the far-off countries of the Orient than we ever did before under Republican rule. These countries are not at war. Countries that were at war, countries that had formerly accepted our goods, that gave us in return their manufactured products, were closed to our markets. And so, under a Democratic administration, with agents of the Department of Commerce at work in all sections of the civilized world finding markets for American goods, we have been able to send them in these increased quantities to all the countries of the world.

INCREASING OUR MERCHANT MARINE.

Ships? Of course, we are arranging to build and to buy ships. In order to carry this immense export commerce of ours we are compelled to acquire ships, and we have arranged for the building of them and for their purchase and for their sailing under the American flag, in a manner absolutely democratic—by methods which the people of this country approve. The method you always stood for was to pour gold from the Treasury into the sea in enormous subsidies—to pay money out of the Treasury to companies in order to induce them to operate ships. We have adopted a different plan than this.

REPUBLICAN LEADERS VOTED FOR PROPOSITIONS THEY NOW CONDEMN.

Here in this minority report you criticize the Democratic Party for "a series of doubtful Government enterprises, such as railroads in the frozen north," and so forth. This report challenging the Democratic Party for the Alaskan Railroad policy is signed by the gentleman from Massachusetts [Mr. GARDNER], and that gentleman who now criticizes this method of developing Alaska voted for the Alaskan Railroad bill. This complaint as to this Democratic method for developing Alaska is signed by the gentleman from Nebraska [Mr. SLOAN], and yet the gentleman from Nebraska voted for the Alaskan Railroad. This minority report criticizing these things is signed by the gentleman from Ohio [Mr. LONGWORTH]. He was not a Member of Congress at that time. If he had been, probably he would also have voted for the development of the resources of Alaska.

GUNS AND AMMUNITION ONLY SMALL PART OF OUR EXPORTATIONS.

I want to conclude with the statement that we exported more goods in 1916 under these Democratic tariff measures and under this fiscal policy of ours which you condemn—we exported twice as much goods as you ever exported in any one year during any Republican administration.

Mr. FORDNEY. There was not any war in Europe during the Republican administration, was there? And is not that the cause of your increased exports now?

Mr. RAINEY. The war in Europe accounts for some of these exports, but it does not account for the fact that in my State 19,995 factories are manufacturing goods day and night, many of them for export, and less than half a dozen factories are manufacturing war material. Less than 14 per cent of these exports consisted of ammunition and firearms. Take that out and you have remaining in the calendar year of 1916 an exportation as large as the combined exports of any two years under any Republican administration. [Applause.]

ERRONEOUS IMPRESSIONS AS TO EFFECT OF THIS BILL.

I have received a number of letters and telegrams from Illinois and from other States protesting against the proposed tax on excess profits. I am not in receipt of a single letter or telegram which conveys to me the impression that the person communicating with me understood what this bill is. A number of them think we are taxing profits 8 per cent. A number of them seem to think there is no exemption of \$5,000. Others think we are imposing an 8 per cent tax on all corporations and partnerships in the country computed on their capital invested.

Others seem to think that the proposition is to take all the profits of corporations and partnerships in excess of 8 per cent.

All records for misinformation on public questions appear to have been broken. Manufacturing associations throughout the country have advised their members to protest against this bill, incorrectly describing the terms of the bill in their communications to their members. I have before me the circular letter sent out by the Illinois Bankers' Association from its office in Chicago on the 24th day of January, 1917, to all members of the association. This letter was sent to me by a small banker, who would not be taxed a cent under the present bill, asking me to oppose the bill and to assist him in any possible way. This letter, sent out by the Illinois Bankers' Association, an exceedingly important organization, contains more than the usual amount of misinformation, due, I presume, to the fact stated in the last paragraph of the letter—that this communication was "the longest letter ever sent the membership."

Among other glaring inaccuracies the letter contains this statement:

As an illustration of how the proposed tax will work, a bank or other business with a capital of \$50,000, surplus and undivided profits of \$10,000, which earns 20 per cent net on its capital, or \$10,000 a year, would be entitled to a deduction of 8 per cent on the capital and surplus amounting to \$60,000, or \$4,800, leaving the difference between this amount and \$10,000, or \$5,200, upon which a tax of 8 per cent, amounting in this case to \$416, would have to be paid.

Under this bill such a bank as this would pay no tax at all. The \$5,000 exemption will leave only \$200 to which the tax of 8 per cent would apply. However, this bank would take out all of its taxes, including local taxes, before the 8 per cent tax would apply, and in all probability these taxes, which it would be permitted to deduct, would amount to more than \$200. Therefore, instead of paying \$416 per year this bank would pay no taxes whatever under this bill.

The statement of this letter as to the taxes larger banks would pay is just as erroneous. The letter entirely ignores the fact that before computing this tax the banks are permitted to take out their capital-stock tax and all other taxes.

Based upon these glaringly inaccurate statements, the secretary of the Illinois Bankers' Association, who sends out this communication, proceeds to argue for a protective tariff to prevent idle mills, and insists that with the existing direct taxation a protective tariff would produce adequate revenues, and so forth. No statement could be more inaccurate. No protective tariff ever devised by the Republican Party yielded more than \$333,000,000 per year. Our preparedness program alone amounts to over \$436,000,000 per year. The expenses of maintaining our Army and Navy before entering upon the present expensive program of preparedness generally demanded by the bankers throughout the country cost us over \$250,000,000 per year. In other words, the demands of our Army and Navy alone at the present time on the Treasury of the United States amount to over \$680,000,000 each year, and yet the secretary of the Illinois Bankers' Association presumes to suggest to all of the bankers that belong to this organization that a return to the Republican method of levying tariffs will meet not only the present expenses of maintaining our Army and Navy but a considerable part of the other expenses of conducting this great Government of ours. All the ingenuity of high-tariff Republican leaders was never able to obtain out of the tariff half enough money to pay the present expenses of maintaining our Army and Navy alone.

I know many Illinois bankers who are Democrats and who believe in honest methods of presenting economic questions and I know many Republican bankers who favor the same method of presenting an important matter like this through the influential membership of the Illinois Bankers' Association. I am wondering if they approve such a letter as this.

THESE TAXES GO INTO SPECIAL PREPAREDNESS FUND.

Every dollar derived from this bill will go toward paying for our preparedness program, and goes into a special fund for that purpose. Every dollar derived from the last emergency bill, which is intended for the support of our preparedness program, is by this bill placed in the same fund. Whenever, as the result of the world peace negotiations which may follow the recent letter of President Wilson, it is possible to abandon our preparedness program this tax may cease. We exempt agriculture for the reason, among other reasons, that agriculture is exempted by all the nations which impose excess-profits tax. We exempt incomes—all professional incomes. Even the warring nations of Europe in a large measure exempt these incomes. We place this burden upon those who are prospering, upon those who are making money on account of the fact that the wise administration of affairs by this administration has made it possible for them to make money. We place this tax upon those citizens of the country who are making the largest profits, not those who

are making the smallest profits. Eight per cent profits, which we exempt, is to-day an exceedingly satisfactory profit on invested capital, and in this bill we take only one-twelfth of the profits above 8 per cent, plus the exemption of \$5,000, and all taxes, local, State, and Federal, come out also before this tax attaches.

No matter what we may think about the preparedness program now in progress, it has been adopted. Republican Members voted for it almost unanimously. This obligation has been incurred and it must be met. We have provided a way in which it can be met. I have heard from the other side no suggestions as to how these preparedness demands ought to be met, except that we ought to meet them by increasing the tax upon imports. The slightest examination of the subject demonstrates the absurdity of such a proposition as this.

Mr. Chairman, I yield back the balance of my time. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. FORDNEY. Mr. Chairman, I yield 30 minutes to the gentleman from Nebraska [Mr. SLOAN]. [Applause.]

Mr. SLOAN. Mr. Chairman, looking over a newspaper bearing date of March 19, 1913, I was struck with the following bold headlines: "Fight for economy—Wilson to wage a warfare on heavy expenditures."

With multiplied recommendations for novel expenditures and the veto of not a single appropriation, we are confronted with this bill. It is conclusive evidence of one war that was ended without victory.

I was interested in the statement of the gentleman from Illinois [Mr. RAINEY] who impoverished the English language in his glowing descriptions of the prosperity of the private establishments throughout the United States. So prosperous were they that they seemed to have excited the cupidity of the party in power. I marveled if his statement was correct and if every business concern in the United States had such prosperity. I wondered why. I thought it must have been, perhaps, largely on account of good management; and, if that is true, what can you say of the greatest business establishment in the United States—the Government itself—that finds itself to-day with \$30,000,000 less than no money at all.

It seems that the Government of the United States and the inefficient who are conducting it now are jealous of that so-called prosperity of individual affairs, and they want to lay the strong taxing hand upon them to even up affairs, because it is a crime under this administration to be solvent; it is a misdemeanor to be thrifty.

Four years from the 4th of next March the present administration took charge of the National Treasury. Making proper deduction for current items, so far as they can be definitely ascertained, we had a balance in the United States Treasury on March 3, 1913, of \$126,664,083.28. On January 26, 1917, observing the same rules of bookkeeping and classification of items, we have \$30,745,773.46, less than no money at all. We are in the position of the staggering insolvent who seeks to put off the evil day by "kiting checks." [Applause on the Republican side.]

The character of the times may well be suggested by the statement of the issues upon which the American electorate granted an extension to the administration. The first was that the President had "kept the country out of war"; the second, that the President favored protection to American industries, as was indicated in his Tariff Commission, which he forced down the throats of a reluctant majority. That the second shared with the first responsibility for the result is shown in that while the President was reelected by a plurality vote of all States, if all States are considered, and by a minority vote in all States, collectively speaking, where real elections were held, a House known to be protective was elected. A large majority of the collective votes for Congressmen was cast for Republican candidates.

That both of these issues are now repudiated, the bill now being considered is evidence. First, this measure is urged on the ground of "war expenditures incurred." In other words, we are to raise this enormous sum of money to pay for the expenses of a war out of which the American people were told we had been kept. Second, the protection feature is repudiated by its omission from this bill and the further facts that nearly five months have elapsed since the tariff-commission law was enacted, and its membership is not even nominated, while those suggested by the press as having been selected are most radical free traders. So we have now had nearly four years of relative free trade, with a prospect of four years more. There is one advantage, dear a lesson as it is and dearer as it probably will be—there will be demonstrated to the people the difference between a sound business and political policy and the fatuous following of a time-worn and oft-discredited theory.

Right here let me say that there is not a protective feature in this bill. In the revenue measure of September 8, 1916, there were three protective features—dyestuffs, tariff commission, and dumping clause. Moreover our troops were invading Mexico and the promptings of patriotism suggested voting for more revenue. But now the troops are recalled and another war without a victory has found an end. It has been said that the defense of the Mexican campaign was the inspiration of the world-peace speech before the Senate.

Moreover, there seems to be no end to this administration's demand for money, persisting like the daughters of the horse-leech: "Give, give, give."

The Treasury is now \$157,409,856.74 worse off than it was four years ago. Assuming that the "hand-to-mouth" system is to be followed until July 1, 1918, the provisions here imposed are to raise funds to keep the country going up to that time. To accomplish that it is here proposed to issue bonds in the sum of \$100,000,000 and use in addition \$222,000,000 heretofore authorized but unissued Panama Canal bonds; to authorize issuance of short-time loans to the extent of \$300,000,000; raise on inheritance tax \$32,000,000; raise on business \$320,000,000; a total of \$974,000,000.

Then, if we would ascertain how much it would cost to place the Treasury on July 1, 1918, in the condition it was four years ago, add to the last sum \$157,409,000, making a grand total cost to the Treasury of the United States of five years and four months of Democracy of \$1,181,409,000. It demonstrates the high cost of misgovernment—an expensive luxury—the most expensive since Imperial Rome went up in flames to amuse the music-mad emperor. [Applause on the Republican side.]

Mr. FARR. Mr. Chairman, will the gentleman yield there?

Mr. SLOAN. Yes.

Mr. FARR. Was that amount just mentioned the amount that this new bill will carry?

Mr. SLOAN. Oh, no. That is simply what it will take to put the Government financially in the same condition that it was in on March 4, 1913, indicating, as I said before, the high price of misgovernment.

Mr. FARR. Does the gentleman include there the revenue bills passed during the last two sessions?

Mr. SLOAN. Oh, no. Those were small luxuries as compared with this.

Mr. REAVIS. Mr. Chairman, will the gentleman yield?

Mr. SLOAN. Yes; I will yield to my colleague.

Mr. REAVIS. Does the gentleman think we have gotten our money's worth?

Mr. SLOAN. No; I do not think we have gotten our money's worth. The only way we possibly could get our money's worth would be for those who have so ill conducted this Government to resign and give somebody else a chance to give us good government, and not misgovernment. [Applause on the Republican side.]

The primary cause of our Treasury's downfall was when the Underwood law, the last word in tariff perfidy, was passed. It was passed by a majority segregating itself from a minority prepared and qualified to admonish and advise; by disregarding their few sound Members' advice; and, lastly, by surrendering their prerogative in duty fixing to the executive branch of the Government, where supreme confidence coupled with kindergarten capacity touched, seized, and bungled.

Of course, the Underwood tariff law, like the bill that is being considered now, should not be charged to that side of the House. The executive department of this Government took charge of that, and forced it down the throat of that Congress just as it is forcing down the throat of this Congress the infamous measure before us.

Mr. RAINEY. Mr. Chairman, will the gentleman yield?

Mr. SLOAN. For a question.

Mr. RAINEY. I feel that I can not sit here and permit that statement to go unchallenged.

Mr. SLOAN. Well, whether the gentleman is sitting comfortably or uncomfortably, I make that statement.

Mr. RAINEY. What the gentleman says is not true.

Mr. SLOAN. It is true. You know it is true. It is true here and elsewhere.

Mr. RAINEY. I was on the committee, and the gentleman was not, and I know more about it than the gentleman does; and I was one of the conferees, and the gentleman was not. I am willing that my statement shall go against his wherever I am known.

Mr. SLOAN. Oh, you say you are willing that your word shall go against mine wherever you are known. Why do you not make it stronger and put it, "Wherever you are not known"? Give us a stronger statement. [Laughter.]

Mr. RAINEY. I am willing that my statement shall go against the gentleman's statement wherever the gentleman is known. [Laughter.]

Mr. SLOAN. As a measure professing to raise revenue, it reduced it. It did raise something—a disturbance in business circles, which, had it not been for a great European war, would have left our industries generally where our Treasury is now—bankrupt.

To brace our failing Treasury after the Underwood law, five applications of the tax pulmotor have been made. [Laughter on the Republican side.] First, the war-revenue law of October 22, 1914, with its obnoxious stamp tax and special tax on banks and other lines of business. Second, the extension of the foregoing act, dated December 17, 1915. Third, the reimposition of a considerable duty on sugar. Fourth, the war-revenue act of September 8, 1916, in which income taxes were doubled and inheritance taxes, peculiarly the province of the States, were taken over by the Government for revenue purposes. Fifth, the present bill.

Grover Cleveland once said that it was "a condition, not a theory, which confronts us." It is worse than that. Here we have an appalling "condition" caused by a bad "theory," and both confronting us. A boy lost his knife. His father advised him to seek for it where he lost it. We should seek to recoup our loss largely at the customhouse. But this the misguided, purblind, bigoted, reactionary majority refuse to do. Political consumptives, they rather keep on taking patent medicine and quack nostrums than to resort to bright sunshine and pure air.

Mr. GORDON. Mr. Chairman, will the gentleman yield?

Mr. SLOAN. Just for a question, if it is relevant.

Mr. GORDON. Is it true or is it not that the Underwood law has produced more revenue in the same length of time since it was enacted than the Payne-Aldrich law did while it was in force?

Mr. SLOAN. It is not true that the Underwood law produced more import duties than the Payne-Aldrich law.

Mr. GORDON. Can you give us the figures?

Mr. SLOAN. I will put them in.

Mr. GORDON. I will say to the gentleman that Mr. KITCHIN made that statement on the floor of the House and I have never heard it denied before.

Mr. SLOAN. Taking the average of the last two full fiscal years under the Payne law, which was \$308,704,656, and the only two full fiscal years we have had under the Underwood law, which was \$207,836,321, leaves the average Payne law duty income \$100,868,335 more than under the Underwood law.

Mr. TILSON. Will the gentleman yield to me?

Mr. SLOAN. I will.

Mr. TILSON. If I remember correctly, the gentleman from Illinois [Mr. RAINEY], in a very learned speech here, made it as one of his principal points that we collected \$100,000,000 less under the Underwood law than under the Payne law, and therefore removed \$100,000,000 from the shoulders of the people.

Mr. SLOAN. Yes; and if Mr. RAINEY were asked, he would say that statement of his very materially strengthened it. He will admit it.

Mr. GORDON. Mr. KITCHIN just stated to me that the Underwood law had produced \$17,000,000 more revenue than the Payne-Aldrich law did in the same length of time.

Mr. SLOAN. I think you have another guess coming.

Mr. GORDON. Will you put the figures in the Record?

Mr. SLOAN. Yes; as I have said, I will print the figures for this purpose, because I know you are a seeker after truth, and I would like to satisfy you. Whether it is your desire or not, I know it is your need.

To replenish the Treasury they would rather invade the tomb of the dead American than to exact justice from the greedy foreigner. They prefer to penalize home thrift by taking tribute from the alien whom our complacency made rich. They elect to bond our children and theirs for generations rather than hamper the stranger at our gates, who brings us little, pays no tax, and takes away much that we need.

Many of us prefer Americans, native or naturalized, to anybody else on earth. We would rather dominate the Western Hemisphere through the Monroe doctrine than to become a minor member of any world league. [Applause on Republican side.] The other side believes that water is thicker than blood, especially if that water is salt water, sanctified by the passage to our shores of foreign goods. They like the foreign flavor. We favor American men and American merchandise.

Mr. GORDON. Will the gentleman yield at that point?

Mr. SLOAN. For one question; yes.

Mr. GORDON. Do you still think that the foreigner pays the tariff?

Mr. SLOAN. Why, we know it; and if you had taken an advanced course, or even a kindergarten course, in political economy you would know that in the end, by and large, the foreigners pay it, because if you had traveled abroad and heard their wails when the McKinley bill was passed you would understand that. And if you did not know it, the foreigner knew it, and knew it was to his disadvantage.

Mr. GORDON. There was some complaint against that bill in this country, too.

The CHAIRMAN (Mr. SHERLEY). The rule provides that gentlemen must not interrupt without addressing the Chair.

Mr. SLOAN. I like to have the gentleman indulged, because, like that animal described by Artemus Ward, he is a very "amooosin' cuss." [Laughter.]

With their code of economic ethics the majority brings in this bill, this new evidence of their own folly and a new confession of failure of the Underwood law.

THE INHERITANCE TAX.

An inheritance tax under our system of government, while it may be defended as constitutional, was not intended to be resorted to by the United States except in extremity. It was expected to be left to the States, whose duties, among others, are to care for the unfortunate living and may properly, for that purpose, draw on the estate of the more affluent dead.

Life insurance companies are taxed. That, of course, in the final analysis comes out of the policyholder or his beneficiary—another way of meeting the victim at the grave. There is to be extracted from the amount his loved ones are to receive a tribute such as Cæsar never demanded. [Laughter and applause.]

This is the second assault upon the dead by this Congress. You are placing the second toll taker at the gate of death to penalize the departure of the industrious. [Laughter on the Republican side.] The first was last September.

To the majority nothing appears to aid the gasping breath of approaching dissolution like the fan of the conscientious taxgatherer. Bring the Government's collector that he may draw the death damp from the chilling brow with a tax warrant. Courageous 14—members of the Ways and Means Committee. With right of choice you become vultures instead of eagles. Deal harshly with the dying; they are helpless. Wrest from the orphans their birthright; they are defenseless. Extort from the widows; they are companionless. Shrouds, coffins, tombs, and taxes—cold comforters to mortal entering the valley of shadow. Verily the wages of free trade are grievous taxes and the end of Democracy is debt.

The sublime and beautiful Westminster funeral service has for decades been delivered over the remains of millions. To the triumphant challenge of "Grave where is thy victory?" there has been no defiant reply until the introduction of this bill, which answers the solemn inquiry by saying, "Down at the corner of Fifteenth and Pennsylvania Avenue, in the Treasury Building." [Laughter.]

The story comes from the majority caucus in the form of a "leak": A Member whose partisanship did not blind him to the enormity of this measure proposed to thrust aside that old party emblem, the donkey, and substitute the hyena, the robber of graves.

In the olden time Zacchæus was a great gatherer of taxes and become noted as an eminent tree climber. Now our Zacchæus, far famed not only as a taxgatherer but also a revenue dissipator, becomes a revenue porch climber.

BONDS.

The National Treasury during four years of this administration passed from repletion to emptiness, from abundance to bonds.

Mr. GORDON. Will the gentleman yield?

Mr. SLOAN. Yes; I will again indulge.

Mr. GORDON. How much of the revenue, after Mr. Wilson was inaugurated, has been devoted to the construction of the Panama Canal?

Mr. SLOAN. That is a very intelligent question.

Mr. GORDON. If the gentleman does not know, I will tell him. It was \$81,000,000.

Mr. SLOAN. Now, I want to assure the Republicans, because I want to be square with them, I did not make an arrangement with the gentleman from Ohio to interrogate me as he has done. [Laughter.]

Mr. MADDEN. I will tell the gentleman the amount—\$106,000,000 out of \$130,000,000 left in the Treasury by the Republicans.

Mr. SLOAN. This measure calls for the sale of \$322,000,000 bonds and \$300,000,000 of short-time notes, or a total authorized increase of national indebtedness amounting to \$622,000,000.

This is an unwarranted assault upon the children living and those yet unborn.

During the late campaign we heard much about a beneficent child-labor law which many voted for because they believed in it, while others supported it because political exigencies dictated. The law was to prevent their little feet from running errands and their hands from arduous toil. We heard nothing about a contemplated interest-bearing indebtedness of \$622,000,000 to be laid upon their little backs to bear, together with grievous interest, on through life and down to the tomb; for if the ordinary running expenses of the Government can not be paid during profound peace at home, and in a period of foreign-war-stimulated prosperity, when can we hope for the payment of the principal debt?

Of course, the way for this enormous indebtedness was prepared by two smaller issues—first, \$20,000,000 for a nitrate plant; next, an issue of \$50,000,000 for a shipping bill; next—note the increase by more than geometrical progression—\$622,000,000. Bonds are common in this administration—bonds for breakfast; bonds for dinner; bonds for supper. Bonds! Bonds! Bonds!

The boast of a cloakroom jester that a Democratic Congress can issue more bonds in 4 years than a Republican Congress can pay in the next 25 years looks like it might come true. When you first came into power your appropriations were somewhat limited by the surplus, but now that your appropriations are from a deficit your appropriations are as unhampered as a deficit is limitless. The battle cries of this majority promises in its dying days to be made good.

A bas la surplus! Viva la debt!

Hoch der deficit! Long live the bond!

PROFITS.

The other provision of the measure is an 8 per cent tax on profits above 8 per cent realized on capital of corporations and partnerships, with a basic \$5,000 exemption. The rule adopted seems to be that of "Donnybrook Fair"—if you see a head, hit it. [Laughter.] Smite success! Slug excellence! "Seest thou a man diligent in his business," lay for him, swat him, teach him to fail successfully. Show him the meteoric course of our Treasury for four years. It flashed, flamed, and fell.

This administration came into power declaring its favor to the consumer, its enmity to the producer, and it is living up in part to its pledge. It has favored the indulger of his appetite; it has discriminated against the user of his hands. It is here penalizing the thrifty and protecting the spendthrift. It punishes solvency and rewards bankruptcy. [Laughter.]

This and the preceding Congress placed a tax on corporations; placed an income tax on men composing corporations; placed a stamp tax to hamper business procedure; now will inflict a special penalty upon profits.

Moreover, all or nearly all protection against unfair foreign competition was removed.

The diplomatic genius of foreign Governments, the strategy of their commerce, unhampered, at our ports are delivering frontal attacks, while our Government, frenzied by its own Treasury's insolvency and seemingly jealous of the solvency of many business concerns, would tax them to their injury, instead of investing them with a shield for their proper defense.

There is a White House legend that the President upon signing that great "bill of business wrongs" known as the Underwood law, rapturously exclaimed, "By this act do we make business free." Referring recently to this incident a business man said, "If this is business freedom, how we would enjoy the chains of tyranny."

Early in this administration business men were told if they failed or their business course made any trouble they would be "hung as high as Haman." Now they are told that if they succeed they will be hamstrung by taxation. [Laughter.] I have heard of a man being between the devil and the deep sea. But that position was not a circumstance compared to the business man's position between Wilson and KITCHIN. [Laughter.]

A burden upon business now is unwise because in the last four years business has suffered much. The total number of failures in 1909, 1910, 1911, and 1912 was 54,269, with liabilities of \$745,976,776, or an average per year of 13,567, with liabilities of \$186,494,194. The total number of failures in 1913, 1914, 1915, and 1916 was 73,061, with liabilities of \$1,107,309,799, or an average per year of 18,265, with liabilities of \$274,827,449.

With this large increase in the number of failures it is but fair to believe that many have been upon the verge of failure. If business has generally improved during the last 12 months, as evidenced by a slight decrease in the number of failures, why

should they not be given a fair opportunity to strengthen themselves for the inevitable shock which must come when the war stimulus has been withdrawn?

The following table shows the number of failures and liabilities for the last eight years, involving the two four-year periods discussed:

	Number.	Liabilities.
1909.....	12,924	\$154,608,465
1910.....	12,652	201,757,087
1911.....	13,241	185,498,823
1912.....	15,452	203,117,391
Total for last 4 years under Republican administration.....	54,269	745,976,776
Average per year for last 4 years under Republican administration.....	13,567	186,494,194
1913.....	15,632	250,802,535
1914.....	18,280	357,908,839
1915.....	22,156	302,286,148
1916.....	16,993	196,212,236
Total for first 4 years under Democratic administration.....	73,061	1,107,309,799
Average per year for first 4 years under Democratic administration.....	18,265	274,827,449
Per cent of increase.....	33	47

But there is an exception of agricultural partnerships. For this favor, "much thanks." It serves but one purpose to show the low estimate the majority of the Ways and Means Committee have for the farmers. Both the committee and the farmers know that farm partnerships are negligible in this country. The exception relates largely to farm profits going into a partnership concern in nearly every case engaged in some other general line of business. The exception would not be of any value to the farmer at all, who in nearly every case conducts his farming operations as an individual.

Mr. RAINEY. Mr. Chairman, will the gentleman yield?

Mr. SLOAN. Yes.

Mr. RAINEY. Permit me to call the gentleman's attention to the fact that in his own State every arrangement between the owner of a farm and his tenant by which they divide crops is a partnership.

Mr. SLOAN. That is not a partnership. It is the relation of lessor to lessee.

A mighty insignificant exception, after having by the Underwood law placed practically all northwestern farm products on the free list or radically reduced the duties, by which the Treasury has lost an average of \$60,000,000 per year; and this bill thereby is in part made necessary.

And, further, bonds have been authorized at a time when they are not selling as well as formerly to buy ships at the highest price water craft ever commanded, one large purpose of which buying is to carry competing farm products from Argentina to enter our ports free. This exception may be a quail of a cocaind conscience on the part of the Ways and Means majority or its directing force; but if it is, we will wait till they have a real quail.

This bill should be defeated. It is presented on account of the inexcusable extravagances of the last four years by the Congress and administration, surpassing the reckless abandon of the inebriated mariner. All of this was in violation of the 1912 Baltimore platform pledge of economy. That pledge was:

We denounce the prodigal waste of the money wrung from the people by oppressive taxation through the lavish appropriations of the recent Republican Congress which have kept taxes high and reduced the purchasing power of the people's toil. We demand a return to that simplicity and economy which befits a democratic government and a reduction in the number of useless offices, the salaries of which drain the substance of the people.

It should be defeated, because the opportunity is here and now to collect a large amount of needed revenue by returning to the sound tariff basis abandoned when the Underwood law was passed. There is nothing in this measure to obtain an additional dollar from the foreigner or protect an American industry.

Before the war the best thought and policy of the leading nations of the earth was in the continuance or adoption of a protective policy, save Britain alone. Now, with the stern test of war, all the world sees the wisdom of a protective policy. All admit it, Britain included, except the fatuous, purblind party in power in this country.

The best demonstration of the wisdom of protection coming out of the fiery ordeal of war is Germany. She had spent enormous sums in the development of a navy, but she could not meet on even terms the "mistress of the seas." Her army was two and a half years ago, and is probably to-day, the most effective land fighting machine ever organized on earth. But

no well-informed man will place Germany's army at the head of German achievement. Though the German Army is now smaller in numbers than are its opposing forces, the disparity is not so remarkable. The large outstanding fact is her industrial organization. With territory less in area than the State of Texas, and that duplicated by her ally, she is matched against the grainfields of the world, the herds of the plain, and the fishes of the seven seas. Moreover, her forests 50 years ago largely denuded, now re clothed, and her mines a half century ago undiscovered and undeveloped, all under the genius and industry of that marvelous people for two and a half years have fed, clothed, armed, and munitioned her own and allied armies, sustained the civilians at home, and (deprecating any thought of forecasting results) stands with no enemy foot upon her soil.

How was this brought about? At the close of the Franco-Prussian War the two most commanding statesmen of the world were Bismarck and Gladstone. Both were free traders, and both so directed their nation's policies. Their stand before the world made during that decade free trade respectable. Gladstone persisted in his free-trade policy, and so did his successors until the present period. The two nations are now at war. England neglected producing those things at home which she needed in time of peace and time of war, and depended on her overmastering fleet to bring from the four corners of the earth the products of forest, farm, factory, and mine for use of her citizens and Government. It is well known to all that in this conflict were it not for her overmastering fleet Great Britain would have been starved within 90 days after the beginning of the war, and her munitions, for lack of home supplies, would have been exhausted. But Bismarck, looking down the decades along the line of the Empire's forecasted destiny, saw that it was necessary to reverse the policy of Germany. He examined the protective policy of America, and proceeded to perfect it under the theory of protecting the products of the forest, farm, factory, and mine, so that in the prosecution of the arts and the industries of peace, as well as in the stress of war, Germany could depend upon that which was produced at home to fill her every want.

Mr. FESS. Will the gentleman allow me to interrupt him for a question?

Mr. SLOAN. If the gentleman will be brief.

Mr. FESS. There is another thing. At the time Bismarck put the German Empire under the protective tariff they had 36,000,000 people and did not produce sufficient to feed themselves. To-day she has 68,000,000 people, and when the war broke out she was a large exporting nation of foodstuffs. I do not know anything that is stronger than that.

Mr. SLOAN. That is well said. This should be the policy of America, throughout whose broad dominions there may be produced food for our hundred millions, whose products of our mines, forests, farms, and factories would be sufficient to meet the demands of peace and the necessities of war.

This bill at this time should adopt that theory and, in plain terms, put it through the process of legislation to meet the condition which will confront us when this war has closed.

Taking the ad valorem rate of duty on all products imported in the four years of 1910, 1911, 1912, and 1913 and applying it to the imports of 1916, the amount of revenue would have exceeded that actually collected under the Underwood law by \$213,224,815.

Of course, the lower rates and the extended free list would modify that to some extent. But as rates should be fixed with reference to the closing of the war at or before the reconvening of Congress next December we should take into account the fact that the war has been exercising a restraint upon imports. This is shown by the fact that during the last year before the war we received imports from Germany, Austria-Hungary, Belgium, and Turkey to the value of \$259,362,027, while last year they only amounted to \$17,007,498. So I submit another basis of the probable normal increase of import business from 1913 to 1916. From 1910 to 1913 imports increased 14 per cent, or \$219,580,276. Using this 14 per cent as a basis of increase, the imports for 1916 would have been \$1,914,025,929 and the increased revenue would have been \$158,686,631. It will be seen that working from these two bases the results are not so widely different. Accepting their average as approximately correct we have the probable annual increase of revenue under the rate of the 1909 act of \$185,955,723. This, extended over a period of 17 months, up to July 1, 1918, sought to be provided for in this bill, would give an increased revenue of \$263,451,431.

Further, by following the Republican platform in protecting the products of the mine, forest, factory, and farm a large number of articles now on the free list and which are being imported

and which compete with our own products would be placed on the protected list and from which \$50,000,000 per year could be raised. Among these might be suggested asbestos, coal, copper, cotton, hair of cattle and horses, hides except kangaroo, mineral oils, and sulphate of ammonia.

This rule would leave on the free list all noncompetitive necessities, such as tea, coffee, rubber, and many drugs.

Do this and you will not have to use a bond, or you can cut out short-time notes, or you can leave further inheritance taxes to the States and cut down one-half the burden upon business.

Reduced revenues at the ports can no longer be excused by the existence of war. The imports for the fiscal year of 1916 enormously exceeded those of any year in our history, and the prospect for 1917 indicates an increase over 1916 of nearly \$400,000,000.

Then, with the coming of peace, as come it must, with the public debts of the battling nations amounting to over \$100,000,000,000, with an annual interest charge of over \$5,000,000,000, with the United States in possession of nearly one-half of the gold of the world and one-third of its wealth, industrial forces now at work, reinforced by 20,000,000 men from the disbanding ranks, will be hurling their products of farm, mine, forest, and factory upon our markets, which, even with a reasonable tariff at our ports, the flood will be enormously increased. I have little doubt that our imports will be, during the first two years after the close of the war, twice as great as they are now during the war. So, should the war close by October 1, 1917, a large increase of imports will be made long before the following July and the large part of our deficit met by collections from the foreigner of nearly \$400,000,000, American industries will have been protected, and the United States, taught by lessons of the great struggle, would be well on her way toward developing from her own resources all that this country might need under the blessings of peace or the stress of war.

But no; we have a debauched and depleted Treasury, assailed and defenseless industries. You are content with "taking no thought of the morrow."

It was during the reign of Louis XV of France. Unsuccessful foreign wars, like our own of the last two years, and unbridled extravagances had emptied the national treasury. The advice of constitutional advisers was ignored for the more welcome soft-spoken suggestions of Mme. Pompadour. She was like some modern people who, accepting public position with a special jurisdiction, construe it to mean appointment as general manager. As troubles thickened about the aged monarch, he had a vision of what was to happen under his successor, including glimpses of the revolution and mutterings of the reign of terror. One day he asked Mme. Pompadour, "What of France after we are gone?" She answered with all her wisdom and wickedness, concentrating into the measure of a single phrase what this bill, with all its provisions, conditions, legal verbiage, and legislative rhetoric, conveys to an inquiring and despairing public, reckless, taunting, hopeless, "After us, the deluge."

Let the country understand that no Republican member of the Ways and Means Committee is in anywise responsible for one syllable of this legislative enormity. The eight minority members, representing, first, a majority of the votes cast in the election of 1914 and 1916, and, secondly, representing an overwhelming majority of those who are to materially contribute to the payment of the taxes to be levied and the debt created by this bill, were never admitted to their own committee room during the deliberations upon this bill until it was presented in its final form. And during that session reading of the bill was refused, as was also any time for consideration or deliberation.

That the first intimation of the substantial terms of the bill came when the Washington papers announced that President Wilson, Secretary McAdoo, and Chairman KITCHIN had agreed on bonds and inheritance and profit taxes. What they agreed upon has not been changed, nor will any substantial change take place. To what a low estate has our House of Representatives fallen! The constitutional taxing body surrendering to the Executive and the Secretary of the Treasury!

Just at this time we are tempted to make some obvious comparisons between our first President and his Secretary of the Treasury and our last—Washington and Hamilton, Wilson and McAdoo—Washington delivering his Farewell Address to the country, Wilson his salutatory to the Senate; one admonishing the people, when the price of liberty and independence was yet fresh in their memories, to make no doubtful experiments, to retain a splendid isolation, and make no entangling alliances; the other, from our position of power, advised to take a doubtful position in a world league for enforced peace, the possibilities causing us to stand aghast; one, the argument of experience had in battle, convention, and Cabinet; the other, the

plea of a theory, risking the progress and development of more than a century upon the doubtful issue of the greatest experiment ever proposed in history. It is a far cry from 1796 to 1917, but a mighty contrast between the strength and stability of Washington and the felicity and flexibility of Wilson.

Of the Secretaries, Hamilton started with an empty Treasury; he filled it. McAdoo started with a full Treasury; he emptied it. [Applause.]

Said Daniel Webster, speaking of the first Secretary:

He smote the rock of our national resources and an abundant stream of revenue burst forth. He touched the dead corpse of public credit and it sprang upon its feet.

Of McAdoo it might be said, "He smote the generous stream of our national revenues and the barren wall of deficit confronted him. He touched the living form of our national finances and it sank, a shriveled corpse."

This bill seeks to galvanize the corpse. [Applause.]

Mr. KITCHIN. Mr. Chairman, I yield 10 minutes to the gentleman from Massachusetts [Mr. OLNEY].

Mr. OLNEY. Mr. Chairman, I was one of the 13 men in the Democratic caucus who reserved the right to dissent from the majority report of the Ways and Means Committee. Perhaps it is just as well to have doubting Thomases once in a while, because they become more enthusiastic Matthews, Marks, Lukes, and Johns in the end.

I am supporting this bill this evening, gentlemen, as a good, sound business proposition. [Applause.] I have examined it from every standpoint, and I ask you on that side of the House why can not some of you at least, anyway, come over on this side of the House as liberal-minded, good business men and support this proposition? We can not raise the revenue consistently under a high protective tariff system.

I have listened with interest to the remarks of my good friend from Michigan [Mr. FORDNEY], and I believe he was right in opposing the Government shipping bill, as I opposed it, with one other Democrat, a year ago in this House as not being a good business proposition. This Government will go out into the market and purchase ships at four times their normal value under the shipping bill. But why can not you gentlemen also realize that this is a good business proposition? There are now 12 men left who are probably dissentient, but you remember the little piece of poetry that runs as follows:

Twelve little negroes looking up to heaven,
One saw the light, and then there were eleven.

I trust we may go down the line until there will be left but seven, and then I believe that this bill will pass.

You claim, my friends on this side of the House, that under a protective tariff bill America can raise an enormous revenue from wool. Anticipating such a course as this, and being in the wool business in Boston, at 233 Sumner Street, which business I conduct through a partner, I asked that partner through a telegram if an embargo on wool still existed on the part of England toward the United States, and he telegraphs me as follows:

BOSTON, MASS., January 30, 1917.

HON. RICHARD OLNEY, 2D,
489 House Office Building, Washington, D. C.:

Embargo tightly enforced; some indefinite talk of future release of small quantity wool under control of British Government. If released, quality of wool presumed will be burly and faulty, which can not be used by English manufacturers.

GORDON F. L. ROGERS.

It is well known to those on the other side of the House who are familiar with the wool situation that the only country in the world to-day which has increased its wool supply under war conditions is Australasia, and Australasia produces to-day a yearly crop of about 1,000,000,000 pounds, and under normal conditions in many years often half of that crop is shipped to this country.

And we, too, use a large supply of the New Zealand crop, the English wool, the Irish wool, the Scotch wool, and the Canadian wool, and if an embargo is placed upon these wools, where are we going to get the revenue by placing a tariff on wool?

Now, perhaps we could raise revenue from other commodities, but they would affect the wage earner to a greater or less extent to-day. What pleases me about this bill is that it affects me, and if I make an exorbitant profit on my wool business to-day I want to pay it to the Government.

The other night I exemplified before the caucus of this House my own case in confidence, and I took the caucus into my confidence when I said I presumably had a capital stock of about \$20,000, representing capital and undivided profits, and it figured out that my firm on the basis of \$8,000 profits in a normal year paid only \$112 tax, and my share of the tax was only half of that.

I know of a concern 40 miles from my house as the crow flies which is making a profit of \$15,000 a week upon war muni-

tions. I have often wondered how we could really get at those concerns which were making exorbitant profits upon war munitions, and this seems to me to be the best, the wisest, and the most feasible way. Figuring out that this concern makes in a year upon war munitions \$800,000 war profits, or \$15,000 a week, after 8 per cent on its capitalization is deducted—after a deduction of \$5,000, it would leave \$771,000—and 8 per cent of that, or \$61,680, is but a fair tax upon the enormous profit of \$800,000.

Mr. FESS. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Massachusetts yield to the gentleman from Ohio?

Mr. OLNEY. Yes.

Mr. FESS. The ammunition profits are not likely to continue after the war, are they?

Mr. OLNEY. That is all right, I will say to my good friend from Ohio; but this is an emergency measure that might be repealed after the war is over, and you or I do not know whether this war will continue a year, or two years, or six months.

Mr. FESS. Is it not the plan that this tax shall be permanent?

Mr. OLNEY. I do not so figure it out.

Mr. FESS. May I ask the gentleman another question?

Mr. OLNEY. Yes.

Mr. FESS. Does not the gentleman think this is going to be disappointing in the amount of revenue it will produce?

Mr. OLNEY. No; I do not really think so. I think lots of property will be uncovered and lots of profits uncovered which the Committee on Ways and Means can not estimate the existence of.

Perhaps there is one section of the bill which I would take exception to, and that is the section concerning the exemption of agricultural proceeds. I do not mean the exemption of intensive farming, where a man gets out with his overalls on and earns his living in that way; but I know of a concern in Massachusetts which purchases hogs and manufactures sausage and purchases and sells milk and cheese; to my knowledge its gross receipts in the last fiscal year were \$970,000. Now, it seems to me that that is a real business corporation, not a farm, and it should be taxed upon its profits.

Mr. KELLEY. Mr. Chairman, will the gentleman yield?

Mr. OLNEY. Yes.

Mr. KELLEY. Would the gentleman think that such a corporation as he speaks of ought to be classed as an agricultural corporation?

Mr. OLNEY. I think so, under that section of the bill, and that is the reason why I would either like to see that section stricken out or have it changed so as to mean only intensive farming.

Mr. KELLEY. Would it not exempt the Chicago packers?

Mr. OLNEY. It would not, according to my construction of the bill.

Mr. KELLEY. Would it exempt sugar packers?

Mr. OLNEY. I do not think so.

Mr. KITCHIN. This bill does not exempt packers at all.

Mr. FESS. I would like to have the gentleman's view on the same question that I asked of the chairman of the committee. Does not the gentleman think it is a wrong method of legislation to discriminate in favor of one as against another citizen?

Mr. OLNEY. No, sir; I do not; because I have always believed that brains, intelligence, and industry should be taxed as against those of our brothers who are perhaps more unfortunate. If I have a little more capacity than my brother, I am willing to pay the difference in a tax. [Applause on the Democratic side.]

Mr. FESS. If the gentleman will permit, it has always appeared to me that a willingness to pay a tax to support the Government ought to be regarded as a virtue to be cultivated and the tax as not an evil to be shunned, and therefore it strikes me that we ought to cultivate the idea of supporting the Government by each one of us being willing to pay a tax.

Mr. OLNEY. My friend from Ohio probably believes in indirect taxation?

Mr. FESS. Yes; I do.

Mr. OLNEY. Under normal conditions I myself believe probably in a so-called horizontal tax; but in these times, to my mind, there could be no better business proposition presented before the people of this country than to tax those corporations and firms which are making exorbitant profits on account of the European war. [Applause.]

Mr. KITCHIN. I will ask the gentleman from Michigan if he wishes to yield any of his time now?

Mr. FORDNEY. I yield to the gentleman from New York [Mr. SNYDER] seven minutes.

The CHAIRMAN. The gentleman from New York [Mr. SNYDER] is recognized for seven minutes.

Mr. SNYDER. Mr. Chairman, I am going to vote against this bill, not because the revenue sought to be raised by it is not needed, but because I do not believe it is the right and proper way to raise such revenue at this time.

I favor most of the expenditures which are being made by Congress, and which were made at the last session. These include provision for the increase of the Army and the Navy with sufficient equipment, including the Aero Service, which should make us so strong on land and sea and in the air that no nation would dare attempt to invade our shores.

I also voted for and favored the expenditures for public buildings and for rivers and harbors, because I believe in progress. I believe you can not make one part of this great country prosperous without, indirectly at least, benefiting the entire Nation.

What I object to is this method of taxation. Being a protectionist, of course, I believe in raising all revenue possible through the medium of tariff duties. This seems to me to be a much more equitable and satisfactory method of raising revenues, especially as in most cases the exporter pays the duties.

If when the Democratic Party came into power it had continued for the last three years the Payne-Aldrich tariff bill exactly as it was, it would have been unnecessary to have increased the corporation or income taxes last year, neither would this excess tax now proposed have been necessary.

This continued yearly burden that you gentlemen on the other side of the Chamber are putting on industry will in normal times depress and destroy initiative. Manufacturers and business men will not know what to expect; in fact, they do not now know what will next happen.

The viewpoint of the gentlemen who have the making of these tax measures seems to be centered only upon the man who has demonstrated his ability to make a dollar, and when they find him to take that dollar away from him.

It is my belief that the men of this country who demonstrate the ability to create industries to the extent that they are sufficient in magnitude to compete with world conditions and competition will not submit year after year to this sort of legislation. They have reached a point where they do not so much object to taxation, but they do object to the methods used in collecting that tax by the servants of your Government; by men, either competent or incompetent, who come searching into their business affairs; men who appear at any time demanding to see their private ledgers, their profit accounts, or their corporation accounts, refusing sworn statements as to these accounts and these businesses.

The theory of these men and the theory of the party which is back of them seems evidently to be that any man who operates a business and makes money is a crook.

It is my belief that at least 98 per cent of the so-called manufacturers, merchants, and business men of this country are patriotic and willing to pay a fair share of the taxes of the Government, but most of them resent this method of being searched every morning to see if they have anything left overnight that the Government can take from them.

It seems singular to me that any man who has sufficient strength in a community to be elected to a body such as this could possess a mind so narrow that he could believe the president and treasurer of a corporation, or two gentlemen who are partners in a business, would go before a notary and make false oath to save a few dollars on a Government tax.

This method of "digging in"—it might be called a "ferret" system—to the affairs of the business men of this country is, in my judgment, bound to kill the goose which lays the golden egg.

I believe the laboring men of this country, the farmers of this country, the ordinary gentleman who has retired from the farm to a home in the village to spend his last days quietly and peacefully, do not object to taxation.

Each of them wishes to pay his fair and proportionate share of the expenses necessary to the operation of this Government and making it the best operated Government in the world.

Each of them want it equipped and maintained on a basis that will permit every man and woman and child in America to go their way through the streets of any city at home or in any other country, peacefully, proudly, with their heads up, knowing that they are protected and guarded, efficiently and willingly, by the flag of this Republic.

They have contributed their tax for that protection freely and cheerfully and insist that it be so expended as to enable us to attain and maintain that position in the galaxy of nations. [Applause.]

I yield back the remainder of my time.

The CHAIRMAN. The gentleman from New York yields back two minutes.

Mr. KITCHIN. I yield 10 minutes to the gentleman from Illinois [Mr. TAVENNER]. [Applause.]

[Mr. TAVENNER addressed the committee. See Appendix.]

Mr. FORDNEY. Mr. Chairman, may I ask the gentleman from North Carolina if now is the proper time to ask for permission to extend remarks in the Record?

Mr. KITCHIN. I will say to the gentleman it is customary to ask for that permission in the House, and I will ask that permission of the House this afternoon.

Mr. FORDNEY. Mr. Chairman, I yield five minutes to the gentleman from Pennsylvania [Mr. WATSON].

Mr. KITCHIN. And, Mr. Chairman, after this gentleman has finished I will move that the committee rise.

Mr. WATSON of Pennsylvania. Mr. Chairman, as my time is limited, I will not attempt to go into figures. The gentleman from Michigan very clearly made a statement relative to the import and export statistics, and if we followed his philosophy the committee would not have had to bring in this bill, loaded with direct taxes. I will vote against it, because I can not support a bill providing for a system of revenue which, in my opinion, will lower the wages of our workmen, bring adversity to our industries, and burden our people with excessive direct taxation.

One year ago, in my extension of remarks, I said:

The problem of taxation has been always a troublesome question for the Democratic Party to solve.

They did not find the solution in the Underwood Tariff Act, by which they endeavored to meet the expenses of the Government without increasing the taxes.

Inquire of history and you will learn that all free-trade administrations have had the same record—deficit in the Treasury.

My observation has been verified by the statement issued by the United States Treasury, and is evidenced by the national debt.

This bill proposes to devise the means by which the Nation's obligations can be met.

The taxpaying people of our country will acquiesce in the assertion that this is the most unpopular revenue bill that ever has been presented to this House, and that it is in sympathy with the most extravagant administration in the history of American legislation.

The great Democratic Party withdrew from their economical principles when \$150,000,000 was deposited to their credit upon their elevation to power, and they have continued in that departure until the public debt has assumed the enormous proportions of hundreds of millions of dollars. [Applause on the Republican side.]

The gentlemen on that side of the aisle can well afford to bring this bill into the House and force its passage, because the people whom they represent will contribute a very small percentage of the taxes if this bill becomes a law.

The corporations and industries will pay a large part of the Federal taxes, and the few Eastern States, where they are mostly located, will enrich the Treasury by many millions, a large part of which, however, will be drawn to build post offices in the small towns and dredge shallow creeks in the privileged sections of the country.

The CHAIRMAN. The time of the gentleman has expired.

Mr. FORDNEY. Mr. Chairman, I yield two minutes more to the gentleman.

Mr. WATSON of Pennsylvania. The protective tariff of the Republican Party was the energy which developed our great resources and expanded our industries to that degree which has given us the position of being the richest Nation of the world, and now the Democratic Party depends upon that prosperity from which to collect a revenue to meet the unparalleled and intemperate Democratic disbursement of the moneys of the public purse.

You, my Democratic friends, refused to protect those industries by tariff legislation; therefore in your course you have been forced to issue bonds in order to raise a revenue to pay the current expenses of the Government in times of peace. Similar proceedings can not be found anywhere in the records of the many Republican administrations.

Mr. Chairman, I fully recognize your right to legislate and your high privileges, but your policies will never maintain prosperity in our Nation. Your proposed plan of taxing the profits of corporate and private concerns is only another way of arriving at the direct taxation on their manufactured products. Thus you hope to raise a revenue to meet the Nation's debts, a scheme which not only fails to protect our industries but will add an additional burden by a direct taxation. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. WATSON of Pennsylvania. Mr. Chairman, I ask unanimous consent to extend my remarks in the Record.

The CHAIRMAN. The gentleman from Pennsylvania [Mr. WATSON] asks unanimous consent to extend his remarks in the Record. Is there objection?

There was no objection.

Mr. KITCHIN. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. SHERLEY, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 20573, the revenue bill, and had come to no resolution thereon.

THE NAVAL ESTABLISHMENT.

Mr. PADGETT. Mr. Speaker—

The SPEAKER. For what purpose does the gentleman rise?

Mr. PADGETT. I rise for the purpose of reporting from the Committee on Naval Affairs a bill making appropriations for the Naval Service for the fiscal year 1918, and for other purposes, and to accompany it with a report (No. 1392).

The SPEAKER. The Clerk will report the title of the bill.

The Clerk read as follows:

A bill (H. R. 20632) making appropriations for the Naval Service for the fiscal year ending June 30, 1918, and for other purposes.

The SPEAKER. The bill and report are referred to the Committee of the Whole House on the state of the Union and ordered printed.

Mr. BROWNING. Mr. Speaker, I reserve all points of order on the bill.

Mr. PADGETT. Mr. Speaker, I desire to ask that the minority members of the committee have to-morrow in which to present minority views.

The SPEAKER. The gentleman from Tennessee asks unanimous consent that the minority members of the committee may have until to-morrow night to file their minority views. Is there objection? [After a pause.] The Chair hears none.

EXTENSION OF REMARKS.

Mr. THOMAS S. WILLIAMS. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record by printing a letter from Arthur N. Sager to George W. Perkins.

The SPEAKER. The gentleman from Illinois asks unanimous consent to print in the Record a letter from Arthur N. Sager to George W. Perkins. Is there objection?

Mr. DYER. Reserving the right to object, will the gentleman give us some idea of what the letter is?

Mr. THOMAS S. WILLIAMS. It is a letter from Mr. Sager to Mr. Perkins in answer to a letter to him about the reorganization of the Republican Party.

Mr. DYER. I have no objection.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none.

Mr. ADAMSON. Mr. Speaker, I desire to beseech the House for unanimous consent to insert in the Record a couple of letters from the Secretary of War.

The SPEAKER. The gentleman from Georgia [Mr. ADAMSON] asks leave to extend his remarks in the Record by inserting two letters from the Secretary of War. Is there objection? [After a pause.] The Chair hears none.

PRINT OF VETO MESSAGE (H. DOC. NO. 2003).

Mr. BURNETT. Mr. Speaker, I would like to ask unanimous consent for a print of the veto message on the immigration bill (H. R. 10384), if that can be done without interference with its status on the table, for the information of the House.

The SPEAKER. The gentleman from Alabama asks unanimous consent that the President's veto message on the immigration bill shall be printed for information, it still being on the Speaker's table.

Mr. STAFFORD. To be printed as a House document?

Mr. BURNETT. No; just for information.

Mr. STAFFORD. What for?

Mr. BURNETT. For printing in the Record.

Mr. MADDEN. To be distributed to Members of the House?

The SPEAKER. It has already been printed in the Record.

Mr. BURNETT. Then I ask that it be printed as a House document.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none.

ORDER OF BUSINESS.

Mr. KITCHIN. Mr. Speaker, I ask unanimous consent to dispense with the business on Calendar Wednesday in order to-morrow.

The SPEAKER. The gentleman from North Carolina asks unanimous consent to dispense with the business on Calendar Wednesday in order to-morrow.

Mr. MADDEN. Reserving the right to object, Mr. Speaker, is it the intention to continue in session to-morrow night if we have to run after 7 o'clock for the purpose of voting for this bill?

Mr. KITCHIN. No. I would like to run to-morrow night until 7, not later than 7.30 anyway. I say 7 o'clock. We are in hopes that we can finish to-morrow night at that time.

Mr. MADDEN. But if you can not reach a point where we can vote on it at that time—

Mr. KITCHIN. It will go over until Thursday.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina? [After a pause.] The Chair hears none.

HOOR OF MEETING TO-MORROW.

Mr. KITCHIN. Mr. Speaker, I ask unanimous consent that when the House adjourns to-day it adjourn to meet at 11 o'clock a. m. to-morrow.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that when the House adjourns to-day it adjourn to meet at 11 o'clock a. m. to-morrow. Is there objection? [After a pause.] The Chair hears none.

LEAVE TO PRINT ON REVENUE BILL.

Mr. KITCHIN. Mr. Speaker, I desire to make another unanimous-consent request. I ask unanimous consent that all Members who have spoken or will speak on the revenue bill be given the right to extend and revise their remarks in the Record.

Mr. STAFFORD. Mr. Speaker, reserving the right to object, why does not the gentleman extend that to all Members whether they speak or not?

Mr. KITCHIN. I understand they will have time to put in the Record anything they want. As to the gentlemen who have not spoken on the revenue bill, I ask unanimous consent that they be given the right to extend their remarks in the Record for five calendar days after the passage of the bill.

The SPEAKER. The gentleman from North Carolina [Mr. KITCHIN] makes two requests at once. The first one is that those who have spoken or may speak on this revenue bill have the right to extend and revise their remarks. Is there objection to that? [After a pause.] The Chair hears none.

The second request is that all gentlemen who do not speak have five calendar days in which to revise and extend their remarks. Is there objection? [After a pause.] The Chair hears none.

EXTENSION OF REMARKS.

Mr. DYER. Mr. Speaker, I ask unanimous consent to extend my remarks on the bill S. 706, pending in the House from the Committee on the Judiciary.

The SPEAKER. The gentleman from Missouri asks unanimous consent to extend his remarks on the bill S. 706, now pending in the House. Is there objection? [After a pause.] The Chair hears none.

ENROLLED BILL AND JOINT RESOLUTION SIGNED.

The SPEAKER announced his signature to enrolled bill and joint resolution of the following titles:

S. 7537. An act authorizing the Western New York & Pennsylvania Railway Co. to reconstruct, maintain, and operate a bridge across the Allegheny River, in the town of Allegany, county of Cattaraugus, N. Y.; and

S. J. Res. 202. Joint resolution to enable the Secretary of the Senate and the Clerk of the House of Representatives to pay the necessary expenses of the inaugural ceremonies of the President of the United States on March 5, 1917.

ADJOURNMENT.

Mr. KITCHIN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 43 minutes p. m.) the House, under its previous order, adjourned until to-morrow, Wednesday, January 31, 1917, at 11 o'clock a. m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the Secretary of the Treasury, transmitting copy of a communication from the Secretary of the Interior submitting a supplemental and additional estimate of appropriation for contingent expenses of Land Office, for the fiscal

year ending June 30, 1918 (H. Doc. No. 1999); to the Committee on Appropriations and ordered to be printed.

2. A letter from the Secretary of War, transmitting, with a letter from the Chief of Engineers, report on preliminary examination of Ohio River at Uniontown, Ky., with a view to removing the sand bar in front of the wharf or landing, and to determine whether a levee should be constructed in front of said town in the interest of navigation (H. Doc. No. 2000); to the Committee on Rivers and Harbors and ordered to be printed.

3. A letter from the Secretary of War, transmitting, with a letter from the Chief of Engineers, report on preliminary examination and estimate for the removal of shoal spots in the westerly entrance of the Point Judith Harbor of Refuge, Rhode Island, and in the harbor itself (H. Doc. No. 2001); to the Committee on Rivers and Harbors and ordered to be printed, with illustration.

4. A letter from the Secretary of Commerce, transmitting a detailed statement of the number of publications received and the number distributed by this department during the fiscal year 1916 (H. Doc. No. 2002); to the Committee on Expenditures in the Department of Commerce and ordered to be printed.

5. A letter from the Secretary of Commerce, transmitting petition from the employees in the office of the local inspectors of the Steamboat-Inspection Service, Oswego, N. Y., requesting an increase in their compensation on account of the increased cost of articles of common consumption; to the Committee on Appropriations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the several calendars therein named, as follows:

Mr. CLARK of Florida, from the Committee on Public Buildings and Grounds, to which was referred the joint resolution (H. J. Res. 358) authorizing the granting of permits to the committee on inaugural ceremonies on the occasion of the inauguration of the President elect in March, 1917, etc., reported the same with amendment, accompanied by a report (No. 1375), which said joint resolution and report were referred to the Committee of the Whole House on the state of the Union.

He also, from the Committee on the Library, to which was referred the joint resolution (H. J. Res. 347) authorizing the removal of the statue of Admiral Dupont, in Dupont Circle, in the city of Washington, D. C., and the erection of a memorial to Admiral Dupont in place thereof, reported the same without amendment, accompanied by a report (No. 1376), which said joint resolution and report were referred to the Committee of the Whole House on the state of the Union.

Mr. SIMS, from the Committee on Interstate and Foreign Commerce, to which was referred the bill (H. R. 20574) granting the consent of Congress to the county commissioners of DeCATUR County, Ga., to reconstruct a bridge across the Flint River at Bainbridge, Ga., reported the same without amendment, accompanied by a report (No. 1377), which said bill and report were referred to the House Calendar.

Mr. DECKER, from the Committee on Interstate and Foreign Commerce, to which was referred the bill (H. R. 20082) to amend an act entitled "An act to authorize the establishment of a bureau of war-risk insurance in the Treasury Department," approved September 2, 1914, reported the same without amendment, accompanied by a report (No. 1378), which said bill and report were referred to the House Calendar.

Mr. MONTAGUE, from the Committee on Interstate and Foreign Commerce, to which was referred the bill (H. R. 20534) granting the consent of Congress to Washington-Newport News Short Line, a corporation, to construct a bridge across the Potomac River, reported the same without amendment, accompanied by a report (No. 1379), which said bill and report were referred to the House Calendar.

Mr. DILLON, from the Committee on Interstate and Foreign Commerce, to which was referred the bill (S. 1697) to declare Ollala Slough, in Lincoln County, Oreg., nonnavigable, reported the same without amendment, accompanied by a report (No. 1380), which said bill and report were referred to the House Calendar.

Mr. RAYBURN, from the Committee on Interstate and Foreign Commerce, to which was referred the bill (H. R. 20535) permitting the Conway County bridge district to construct, maintain, and operate a bridge across the Arkansas River, in the State of Arkansas, reported the same with amendment, accompanied by a report (No. 1381), which said bill and report were referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, private bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the Committee of the Whole House, as follows:

Mr. ALEXANDER, from the Committee on the Merchant Marine and Fisheries, to which was referred the bill (S. 5985) authorizing the Commissioner of Navigation to cause the steamship *Republic* to be enrolled and licensed as a vessel of the United States, reported the same without amendment, accompanied by a report (No. 1373), which said bill and report were referred to the Private Calendar.

Mr. CALDWELL, from the Committee on Military Affairs, to which was referred the bill (H. R. 19630) for the relief of Thomas Campbell, reported the same with amendment, accompanied by a report (No. 1374), which said bill and report were referred to the Private Calendar.

Mr. PETERS, from the Committee on Claims, to which was referred the bill (H. R. 16220) for the relief of First Lieut. Albert K. C. Palmer, United States Army, reported the same without amendment, accompanied by a report (No. 1382), which said bill and report were referred to the Private Calendar.

He also, from the same committee, to which was referred the bill (H. R. 11312) for the relief of J. H. Livingston, reported the same with amendment, accompanied by a report (No. 1383), which said bill and report were referred to the Private Calendar.

Mr. STEPHENS of Mississippi, from the Committee on Claims, to which was referred the bill (H. R. 20424) for the relief of William S. Colvin, reported the same without amendment, accompanied by a report (No. 1384), which said bill and report were referred to the Private Calendar.

Mr. RUSSELL of Ohio, from the Committee on Claims, to which was referred the bill (H. R. 18618) for the relief of Wickliff Fry, for horse lost while hired by the United States Geological Survey, reported the same with amendment, accompanied by a report (No. 1385), which said bill and report were referred to the Private Calendar.

Mr. DIES, from the Committee on Claims, to which was referred the bill (H. R. 8788) for the relief of Lyman D. Drake, jr., reported the same with amendment, accompanied by a report (No. 1386), which said bill and report were referred to the Private Calendar.

Mr. CAPSTICK, from the Committee on Claims, to which was referred the bill (H. R. 10506) for the relief of Dr. F. C. Cady, reported the same with amendment, accompanied by a report (No. 1387), which said bill and report were referred to the Private Calendar.

Mr. STEPHENS of Mississippi, from the Committee on Claims, to which was referred the bill (S. 2704) for the relief of Albert L. Ream, reported the same with amendment, accompanied by a report (No. 1388), which said bill and report were referred to the Private Calendar.

Mr. EDMONDS, from the Committee on Claims, to which was referred the bill (H. R. 12610) for the relief of Emma H. Ridley, reported the same without amendment, accompanied by a report (No. 1389), which said bill and report were referred to the Private Calendar.

Mr. FIELDS, from the Committee on Military Affairs, to which was referred the bill (S. 3973) for the relief of Clyde R. Altman, reported the same without amendment, accompanied by a report (No. 1390), which said bill and report were referred to the Private Calendar.

He also, from the same committee, to which was referred the bill (S. 4473) for the relief of Charles G. Griffa, reported the same without amendment, accompanied by a report (No. 1391), which said bill and report were referred to the Private Calendar.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. SCULLY: A bill (H. R. 20629) to provide for the commissioning of graduates of the United States Military Academy, and for other purposes; to the Committee on Military Affairs.

By Mr. SIMS: A bill (H. R. 20630) to authorize the President of the United States in certain emergencies to take possession of and operate the lines of a commerce carrier engaged in interstate commerce, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. LINDBERGH: A bill (H. R. 20631) authorizing the county of Beltrami, Minn., to construct a bridge across the Mississippi River in said county; to the Committee on Interstate and Foreign Commerce.

By Mr. PADGETT: A bill (H. R. 20632) making appropriation for the naval service for the fiscal year ending June 30, 1918, and for other purposes; to the Committee of the Whole House on the state of the Union.

By Mr. KINKAID: A bill (H. R. 20657) to amend clause 1, section 12, of the Federal farm-loan act to authorize loans to be made on lands under reclamation projects entered under the reclamation act, and lands in private ownership brought under such projects, on certain conditions; also on irrigated lands, other than the two classes specified, in certain cases; to the Committee on Banking and Currency.

By Mr. STEENERSON: Resolution (H. Res. 477) requesting the Attorney General of the United States to inform the House in regard to proceeding against the binder-twine monopoly; to the Committee on the Judiciary.

Also, resolution (H. Res. 478) requesting the Secretary of State to inform the House if any action has been taken to secure relief from the Binder Twine Trust; to the Committee on Foreign Affairs.

By Mr. GALLIVAN: Resolution (H. Res. 479) expressing the sense of the American Congress that there can be no permanent peace except upon the principle that Governments derive their powers from the consent of the governed; to the Committee on Foreign Affairs.

By Mr. BRITTEN: Resolution (H. Res. 480) directing the Committee on Foreign Affairs to investigate charges against American consular officers; to the Committee on Rules.

By Mr. CARY: Resolution (H. Res. 481) providing for a congressional committee to investigate the condition of the Chicago River, and make recommendations thereto; to the Committee on Rules.

By Mr. MANN: Concurrent resolution (H. Con. Res. 70) authorizing the printing of digest of contested election cases in the House of Representatives from 1901 to 1917, etc.; to the Committee on Printing.

By Mr. GANDY: Memorial from the Legislature of the State of South Dakota, requesting that Fort Meade, S. Dak., be designated as a citizens' training camp; to the Committee on Military Affairs.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BOOHER: A bill (H. R. 20633) granting an increase of pension to Senora H. Hollenbeck; to the Committee on Pensions.

By Mr. BRITT: A bill (H. R. 20634) granting a pension to George Stillman; to the Committee on Invalid Pensions.

By Mr. BYRNS of Tennessee: A bill (H. R. 20635) granting an increase of pension to James K. P. Wayman; to the Committee on Invalid Pensions.

By Mr. CALDWELL: A bill (H. R. 20636) granting a pension to Mary Thompson; to the Committee on Pensions.

By Mr. CANTRILL: A bill (H. R. 20637) granting an increase of pension to Mrs. Sallie M. Cohen, widow of Henry Cohen; to the Committee on Pensions.

Also, a bill (H. R. 20638) granting an increase of pension to F. G. McGuire; to the Committee on Invalid Pensions.

Also, a bill (H. R. 20639) granting an increase of pension to Joseph McGuire; to the Committee on Invalid Pensions.

By Mr. CARY: A bill (H. R. 20640) to increase the pensions of the widows of the War with Mexico; to the Committee on Invalid Pensions.

Also, a bill (H. R. 20641) granting a pension to Mrs. Frank Schultz; to the Committee on Invalid Pensions.

By Mr. COPLEY: A bill (H. R. 20642) granting an increase of pension to Mrs. Josephine Freeman, on account of invalid daughter; to the Committee on Invalid Pensions.

By Mr. CRAGO: A bill (H. R. 20643) granting a pension to Edwin J. Cholewa; to the Committee on Pensions.

By Mr. DICKINSON: A bill (H. R. 20644) for the relief of the heirs of William J. Crabtree, deceased; to the Committee on War Claims.

Also, a bill (H. R. 20645) for the relief of the heirs of Ezekiel Evans, deceased; to the Committee on War Claims.

By Mr. GANDY: A bill (H. R. 20646) granting a pension to Carl J. Nelson; to the Committee on Pensions.

By Mr. GRIEST: A bill (H. R. 20647) granting a pension to Milton Inners; to the Committee on Invalid Pensions.

By Mr. HICKS: A bill (H. R. 20648) granting a pension to Kate E. Gilbert; to the Committee on Pensions.

By Mr. MORGAN of Oklahoma: A bill (H. R. 20649) granting an increase of pension to Newitt F. Gorrell; to the Committee on Invalid Pensions.

By Mr. PORTER: A bill (H. R. 20650) granting an increase of pension to Winfield S. Barr; to the Committee on Invalid Pensions.

By Mr. RAMSEYER: A bill (H. R. 20651) granting an increase of pension to Ezekiel Bogard; to the Committee on Invalid Pensions.

By Mr. REILLY: A bill (H. R. 20652) granting a pension to Ferdinand Fetter; to the Committee on Invalid Pensions.

By Mr. ROWE: A bill (H. R. 20653) to waive the age limit in the appointment of Hal C. Sanborn; to the Committee on Military Affairs.

By Mr. RUSSELL of Missouri: A bill (H. R. 20654) granting an increase of pension to Oscar Grant; to the Committee on Invalid Pensions.

By Mr. SHOUSE: A bill (H. R. 20655) granting an increase of pension to Edwin A. Welch; to the Committee on Invalid Pensions.

By Mr. TINKHAM: A bill (H. R. 20656) granting an increase of pension to Samuel A. Maxfield; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By the SPEAKER: Petition of general grievance committee of Brotherhood of Railroad Trainmen, Burlington system, protesting against House bill 19730; to the Committee on Interstate and Foreign Commerce.

By Mr. BROWNING: Petition of the Tabernacle Methodist Episcopal Church, of Camden, N. J., urging adoption of a constitutional amendment forbidding polygamy and polygamous cohabitation within the United States or any place subject to their jurisdiction; to the Committee on the Judiciary.

By Mr. BRUCKNER: Protests from James M. Akin, Messrs. Bulkin & Rosenthal, James M. Brander, Joseph Camissa, Cliff & Aldrich, Calef Bros., Daisy Whitehead Co., Sol Edman & Son, M. Falek & Son, Harry Goldstein, S. Geisman, M. E. Greenfield, Hart Kirtland Co., Samuel Jafe, Jesse Lazar, Oscar Levy, the Potter Textile Co., the Preston Shirt Co., Samstag & Hilder Bros., A. Steinhardt & Bro., L. Seibert & Bro., and Joseph S. Whiteside, against regulation of radio communication; to the Committee on the Merchant Marine and Fisheries.

By Mr. BYRNS of Tennessee: Papers accompanying bill granting an increase of pension to James K. P. Wayman; to the Committee on Invalid Pensions.

By Mr. CARY: Petition of George C. Markham, protesting against the passage of the revenue bill in its present form; to the Committee on Ways and Means.

Also, petition of Massachusetts State Board of Trade, favoring extension of the powers of the Interstate Commerce Commission; to the Committee on Interstate and Foreign Commerce.

By Mr. CLINE: Petition of Auburn (Ind.) citizens, protesting the passage of the Post-Office appropriation bill; to the Committee on the Post Office and Post Roads.

Also, petition of Grabbill (Ind.) citizens, favoring the national constitutional prohibition amendment; to the Committee on the Judiciary.

Also, petition of citizens of Allen County, Ind., favoring the placing of an embargo on foodstuffs; to the Committee on Interstate and Foreign Commerce.

Also, petition of Fort Wayne (Ind.) citizens, favoring an embargo on food products to European countries; to the Committee on Interstate and Foreign Commerce.

By Mr. CURRY: Petition of Mrs. J. W. Duncan and 59 other women residents of Woodland, Cal., protesting against the Randall rider to the Post Office appropriation bill in reference to postal rates on second-class mail matter; to the Committee on the Post Office and Post Roads.

By Mr. DALE of New York: Petition of National Educators' Conservation Society, New York City, favoring the migratory-bird treaty bill; to the Committee on the Public Lands.

Also, petition of Louis J. Robertson, protesting against the revenue bill; to the Committee on Ways and Means.

Also, petition of United Leather Workers of the World, Philadelphia, Pa., protesting against militarism; to the Committee on Interstate and Foreign Commerce.

Also, petition of Henry W. Thurston, member of criminal courts committee, New York City, favoring legislation to establish a probation system in the United States courts; to the Committee on the Judiciary.

Also, petition of Horace L. Houghton, chief probation officer, Woodbury County, Iowa, favoring legislation to establish a probation system in the United States courts; to the Committee on the Judiciary.

By Mr. DRUKKER: Petition adopted by the Board of Education of Paterson, N. J., favoring an appropriation for field service for training alien population of the United States for citizenship; to the Committee on Appropriations.

By Mr. EAGAN: Petition of A. N. Dell, Woodbury, N. J., favoring the Susan B. Anthony amendment; to the Committee on the Judiciary.

Also, petition of central committee, Leather Workers of the World, Philadelphia Pa., protesting against militarism; to the Committee on Interstate and Foreign Commerce.

Also, petition of Mary R. Hall, Montclair, N. J., favoring protection of migratory birds under the treaty with Canada; to the Committee on Foreign Affairs.

Also, petition of National Educators' Conservation Society, New York City, protesting against the passage of Shields-Adamson, Ferris-Myers dam bills; to the Committee on Interstate and Foreign Commerce.

By Mr. FULLER: Petition of the Rockford (Ill.) Manufacturers' and Shipping Association, protesting against the proposed tax on profits above 8 per cent; to the Committee on Ways and Means.

Also, petition of John English, of Galion, Ohio, favoring the enactment of House bill 14428, to increase pensions of maimed soldiers of the Civil War; to the Committee on Invalid Pensions.

By Mr. GALLIVAN: Petition of 59 citizens of fourth district of Massachusetts, protesting against prohibition legislation; to the Committee on the Judiciary.

Also, petition of 19 citizens of fourth district of Massachusetts, protesting against prohibition legislation; to the Committee on the Judiciary.

By Mr. GANDY: Petition of the First Presbyterian Church of Lead, S. Dak., for prohibition amendment to Constitution, prohibition in the District of Columbia, prohibiting interstate shipment of intoxicating liquors and use of mails for soliciting mail orders and to carry advertisement for intoxicating liquors; to the Committee on the Judiciary.

Also, petition of First Presbyterian Church, Lead, S. Dak., for Federal censorship of motion pictures and woman-suffrage amendment; to the Committee on the Judiciary.

Also, petition of Deadwood (S. Dak.) Branch Woman's Christian Temperance Union, for Federal censorship of motion pictures and woman-suffrage amendment; to the Committee on the Judiciary.

Also, petition of 211 citizens of Lawrence County, S. Dak., for Federal censorship of motion pictures and woman-suffrage amendment; to the Committee on the Judiciary.

Also, petition of 22 citizens of Lawrence County, S. Dak., for prohibition amendment to Constitution, prohibition in the District of Columbia, prohibiting interstate shipment of intoxicating liquors, prohibiting use of mails for soliciting orders, and to carry advertisements for intoxicating liquors; to the Committee on the Judiciary.

Also, petition of 69 citizens of Lawrence County, S. Dak., adverse to Shields water-power bill; to the Committee on Interstate and Foreign Commerce.

By Mr. GARD: Memorial of the City Council of Hamilton, Ohio, protesting against the alleged food and cold-storage combination; to the Committee on the Judiciary.

By Mr. GRIEST: Petition of George N. Reynolds, Lancaster, Pa., protesting against heavy tax on income of mutual life-insurance companies as proposed by the revenue bill; to the Committee on Ways and Means.

Also, petition of 69 citizens of Lancaster County, Pa., favoring a Christian amendment to the Constitution; to the Committee on the Judiciary.

Also, petition of Columbia Church of God, Home Mission Society, and Presbyterian congregation, all of the city of Columbia, Pa., favoring the national constitutional prohibition amendment; to the Committee on the Judiciary.

Also, petition of Christian Endeavor Society of the Methodist Church of Millersville, Pa., favoring the national constitutional prohibition amendment; to the Committee on the Judiciary.

By Mr. HOLLINGSWORTH: Memorial of Local Union No. 430, United Mine Workers of America, in favor of creation of Federal food commission, to conserve food products; to the Committee on Interstate and Foreign Commerce.

Also, affidavits in support of House bill 5166, to increase pension of Dixon M. Hepburn; to the Committee on Invalid Pensions.

By Mr. LINTHICUM: Petition of William H. Pierce, Baltimore, Md., favoring Niagara Falls water-power legislation; to the Committee on Foreign Affairs.

Also, petition of Woman's Christian Temperance Union, Baltimore, Md., favoring prohibition legislation; to the Committee on the District of Columbia.

Also, petition of Byron A. Shipley, representative of the Brotherhood of Railroad Trainmen, Baltimore, Md., protesting against House bill 19730; to the Committee on Interstate and Foreign Commerce.

Also, petition of B. Holly Smith, favoring the migratory bird treaty bill; to the Committee on Foreign Affairs.

Also, petition of Mann & Co., patent attorneys, Baltimore, Md., protesting against legislation excluding liquor advertisements from the mails; to the Committee on the Post Office and Post Roads.

Also, petition of Robert H. Jenkins and John Howland, favoring the migratory bird treaty bill; to the Committee on Foreign Affairs.

By Mr. MANN: Petition of One hundred and nineteenth Street Commercial Club, Chicago, Ill., favoring 1-cent letter postage on local letters; to the Committee on the Post Office and Post Roads.

By Mr. OLNEY: Petition of South Congregational Church, Brockton, Mass., favoring Kenyon-Sims bill, House bill 3107, and Senate bill 3253, to forbid interstate transmission of race-gambling bets; to the Committee on the Judiciary.

By Mr. ROWE: Petition of board of managers Empire State Society, Sons of the American Revolution, favoring bills for the purchase of Monticello, former home of Thomas Jefferson; to the Committee on Public Buildings and Grounds.

Also, petition of John F. McClain, New York City, favoring House bill 18542; to the Committee on Appropriations.

Also, petition of 61 citizens of Brooklyn, N. Y., protesting against prohibition legislation; to the Committee on the Judiciary.

By Mr. WATSON of Pennsylvania: Petition of sundry citizens of Doylestown, Pa., favoring the adoption of Senate joint resolution No. 1; to the Committee on the Judiciary.

By Mr. WINGO: Petition of 36 citizens of Fort Smith, Ark., favoring national woman suffrage amendment to the Constitution; to the Committee on the Judiciary.

SENATE.

WEDNESDAY, January 31, 1917.

The Senate met at 11 o'clock a. m.

The Chaplain, Rev. Forrest J. Prettyman, D. D., offered the following prayer:

Almighty God, we thank Thee for the high sense of moral obligation Thou hast put into us all, and for the inward monitor that responds to the divine prompting. We thank Thee that Thy law stands guard over the rights of man, so that when we act upon falsehoods it is at the peril of our happiness and prosperity. We thank Thee that Thou hast given to us every demonstration of Thy actual providence and guidance. Thou dost hold the reins of government. The nations of the earth are in Thy hands. We pray Thee to help us this day to live and act in accordance with this great divine central truth of all happiness in life. God rules over all; Thy will is law. We ask for Christ's sake. Amen.

The Journal of yesterday's proceedings was read and approved.

CALLING OF THE ROLL.

Mr. SMOOT. Mr. President, I think we ought to have a quorum before beginning business. I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Brady	Hardwick	Norris	Smith, S. C.
Brandgee	Hollis	O'Gorman	Smoot
Broussard	Husting	Oliver	Sterling
Bryan	James	Overman	Sutherland
Chamberlain	Johnson, S. Dak.	Page	Thomas
Chilton	Jones	Pittman	Thompson
Clapp	Kenyon	Ransdell	Tillman
Culbertson	La Follette	Reed	Townsend
Cummins	Lee, Md.	Robinson	Walsh
Curtis	Lodge	Saulsbury	Weeks
Dillingham	McCumber	Shafroth	Williams
Fernald	Martin, Va.	Sheppard	Works
Fletcher	Martine, N. J.	Smith, Ga.	
Gallinger	Myers	Smith, Md.	
Gronna	Nelson	Smith, Mich.	

Mr. CURTIS. I wish to announce that the Senator from New York [Mr. WADSWORTH] is detained from the Senate on account of illness. He is paired with the Senator from New Hampshire [Mr. HOLLIS].

Mr. MARTINE of New Jersey. I rise to announce that the Senator from Oklahoma [Mr. GORE] is detained on account of illness.

The VICE PRESIDENT. Fifty-seven Senators have answered to the roll call. There is a quorum present.

THE COMMITTEE ON MILITARY AFFAIRS.

Mr. CHAMBERLAIN. I desire to ask permission of the Senate to hold a meeting of the Committee on Military Affairs while the Senate is in session.

The VICE PRESIDENT. Is there objection? The Chair hears none.

EAST WASHINGTON HEIGHTS TRACTION CO.

The VICE PRESIDENT laid before the Senate the annual report of the East Washington Heights Traction Railroad Co. for the year ended December 31, 1916, which was referred to the Committee on the District of Columbia.

SENATOR FROM NEW JERSEY.

The VICE PRESIDENT. The Chair lays before the Senate the credentials of JOSEPH S. FRELINGHUYSEN as a Senator from New Jersey for the term of six years from March 4, 1917, which will be printed in the RECORD and placed on the files.

The credentials are as follows:

STATE OF NEW JERSEY.

To the PRESIDENT OF THE SENATE OF THE UNITED STATES:

This is to certify that on the 7th day of November, 1916, JOSEPH S. FRELINGHUYSEN was duly chosen by the qualified electors of the State of New Jersey a Senator from said State to represent said State in the Senate of the United States for the term of six years, beginning on the 4th day of March, 1917.

Witness: His excellency our governor, Walter E. Edge, and our seal hereto affixed at Trenton this 29th day of January, in the year of our Lord 1917.

[SEAL.]

By the governor:

WALTER E. EDGE.

THOMAS F. MARTIN,
Secretary of State.

PETITIONS AND MEMORIALS.

The VICE PRESIDENT presented petitions of sundry citizens of Porto Rico, praying that their native citizenship be not disposed of against their will, which were ordered to lie on the table.

Mr. OLIVER presented petitions of sundry citizens of Mercer and Lancaster Counties, in the State of Pennsylvania, praying for the enactment of legislation to found the Government of the United States on Christianity, which were referred to the Committee on the Judiciary.

He also presented a memorial of the Workers' Nonpartisan League of Blair County, Pa., remonstrating against the enactment of legislation providing for compulsory arbitration of transportation disputes, which was referred to the Committee on Interstate Commerce.

He also presented a memorial of sundry citizens of Luzerne, Pa., remonstrating against the enactment of legislation to exclude liquor advertisements from the mails, which was ordered to lie on the table.

He also presented a petition of the Civic Club of Allegheny County, Pa., praying for the enactment of legislation to provide for the promotion of Americanization of immigrants through education, which was ordered to lie on the table.

Mr. WORKS. I have here a telegram from George I. Cochran, president of the Pacific Mutual Life Insurance Co., relating to some of the provisions in the revenue bill and calling attention to the manner in which we are doubling up taxes in this country. I should like to have it read.

The VICE PRESIDENT. Is there objection? The Chair hears none.

The telegram was read and referred to the Committee on Finance, as follows:

LOS ANGELES, CAL., January 30, 1917.

JOHN D. WORKS, Washington, D. C.:

The Pacific Mutual Life Insurance Co., a California institution and the largest company of its kind west of the Mississippi River, pays a large annual tax to the State of California of 2 per cent on its premiums. In addition to this it pays a similar tax to each State in which it transacts business, besides many other license taxes, etc.; in addition it pays a Federal income tax of over \$18,000 a year, and this year an additional excise tax to the Federal Government of about \$2,500 on its capital stock. And it is now proposed by the new Federal income-tax bill to collect a further tax of 8 per cent on its profits, which would amount probably to about \$80,000 a year. In addition, when you remember that the profits of a life insurance company are largely savings from mortality and earnings on reserves for the benefit of its policyholders, which are returned to them, you will readily see that these so-called profits are not the kind of profits which this emergency tax is intended to reach. We submit that life insurance is already tremendously taxed, and that this additional tax is simply in excess of the limit. We ask you in the name of our policyholders, who are over a hundred thousand in number, to use your influence to exempt life and accident insurance companies from this unjust tax.

GEORGE I. COCHRAN,
President Pacific Mutual Life Insurance Co.